

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

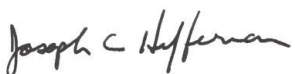
Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signat	Printed Name		License Number	



Comprehensive Annual
Financial Report of the
City of Birmingham, Michigan
as prepared by the
Department of Finance

Fiscal Year Ended June 30, 2007

City Commission

Tom McDaniel, Mayor
Donald F. Carney, Mayor Pro Tem
Rackeline Hoff, Commissioner
Dianne M. McKeon, Commissioner
Scott Moore, Commissioner
Julie Plotnik, Commissioner
Stuart Lee Sherman, Commissioner

City Manager

Thomas M. Markus

Director of Finance

B. Sharon Ostin

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Introductory Section

November 12, 2007

To the Honorable Mayor and City Commission
City of Birmingham
Birmingham, Michigan 48012

With this letter, we transmit the City of Birmingham, Michigan's (the "City") Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This report has been prepared pursuant to, and in compliance with state statutes which require the City to publish within six months of the close of each fiscal year a complete set of financial statements in compliance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America.

The financial statements have been prepared by the City's finance department for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties. Management assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

The City's financial statements have been audited by Plante & Moran, PLLC. The purpose of an independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The audit concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Birmingham's financial statements for the year ended June 30, 2007 are fairly presented in conformity with GAAP. Plante & Moran's report is presented as the first component of the financial section of this report.

This letter is designed to introduce the financial report and provide information that would be useful in assessing the City's financial condition (particularly information about future resources and obligations). In addition, the financial statements include a narrative introduction, overview and analysis in the form of management's discussion and analysis (MD&A), which should be read in conjunction with this letter.

Profile

The City of Birmingham was incorporated in 1933 as a home-rule city. It is located in the southeastern portion of Oakland County approximately 20 miles north of downtown Detroit. Covering 4.73 square miles and serving a population of 19,291, the community is able to maintain the feel of a small town while offering the recreational and cultural advantages of a prosperous urban area.

The City has operated under the commission-manager form of government since 1917. The seven commission members, one of whom serves as mayor, are elected for four-year overlapping terms on a non-partisan basis. Policy-making and legislative authority are vested in the governing commission. The city commission appoints the city manager and city clerk, who report, as do all other department heads, to the city manager. The city manager is responsible for carrying out the policies and ordinances of the city commission and overseeing the day-to-day operations of the City.

The City provides a wide range of City services, including police and fire protection; the construction and maintenance of roads and other infrastructure; recreational activities and cultural events; community planning, zoning and code enforcement; refuse collection, water-receiving and sewage disposal services. The Baldwin Public Library, Principal Shopping District, and the Brownfield Redevelopment Authority are also included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These three component units are reported within the component unit's column in the combined financial statements. Additional information pertaining to these three component units can be found in the notes to the financial statements (see Note 1).

The City Commission is required to adopt a final budget no later than the second Monday in June. This annual budget provides the foundation for the City of Birmingham's financial planning and control. The budget is prepared by fund, function (e.g., community development), and department (e.g., planning). Upon final adoption, the budget becomes the authority for the various agencies and departments to expend funds, subject to controls established by the city charter and state law. At any meeting after the adoption of the budget, the City Commission may amend the budget by an affirmative vote of the majority.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the environment in which the City operates.

Local Economy - The region, which includes the City of Birmingham and some of the nation's most affluent suburbs, has a labor force of approximately 698,400. The June 2007 unemployment rate of 4.3% for the City, though higher than last year's rate of 3.5%, still remains well below the state's unemployment rate of 7.2% and less than the national rate of 4.5% for the same period. Suburban Oakland County, where Birmingham is located, is Michigan's chief economic engine and remains among the most prominent county economies in the nation. It is anticipated that this area will add about 2,700 jobs over the next two years. This is encouraging in light of recent job losses resulting from weakness in the residential real estate market and the ongoing difficulties facing the domestic automobile industry.

The City of Birmingham has a vibrant downtown and continues to draw strong interest from locally based entrepreneurs, opening a variety of stores from jewelers, casual restaurants and juice bars, bakeries and specialty boutiques. As of June, retail occupancy in the City's Principal Shopping District was 94.3%, an improvement from 92.5% a year ago.

Over the past seven years, the State's financial condition has worsened and it continues to struggle with severe economic problems. Automotive and parts manufacturing represent the state's largest economic sector and auto restructuring continues to dominate the private-sector labor market. The state is also struggling with a decline in the residential real estate market and residential construction which has resulted in a reduction in building activity. Continued problems in the auto industry coupled with the slump in the real estate market have served to create severe budget problems in Lansing. As a result, the State may continue its increasing reliance on and retain a higher portion of the sales tax it collects to balance its own budget. In the past, this has resulted in a decrease in state-shared revenues from sales tax collections that the State distributes and shares with local units of government. Approximately 6.2% of the City's total General Fund revenues come from this source.

The City has maintained a strong financial position as a result of significant gains in property tax receipts, which are generated by the continued strength of the local economy. Even though home sales have continued to slip in response to higher mortgage rates and assessed values of homes have declined, commercial development in Birmingham has remained strong. Building permits issued for commercial development increased by 29% during the year with an increase in corresponding application valuations of 31%. The strong financial position of the City is also attributable to continued good financial performance, maintenance of fund balance levels and continued prudent management of the City's operations.

Long-term Financial Planning - Because the City is at a mature stage in its life cycle, it continues to become increasingly important to maintain and invest in our infrastructure such as roads, water and sewer improvements and repairs, parking facilities, and the City's recreational facilities. This investment continues even as the City receives less support from the State in such critical areas as Act 51 street funds. In fiscal year 2006-2007, the City's General Fund contributed \$3.7 million to the street funds for road projects. A ten-year sewer improvement program with an estimated cost of \$32 million, begun in 1999-2000 to abate basement flooding, construct relief sewers and repair or replace existing sewers in critical structural condition, also continues.

The City of Birmingham is in the eleventh year of a 12-year program which began in fiscal year 1997-1998 for water-main construction and restoration. This program is financed by a voter-approved property tax levy. In addition, water-main improvements totaling \$3 million have been incurred and were financed with revenue bonds issued in 1993.

In November 2001, City voters authorized the City of Birmingham to issue general obligation unlimited tax bonds in an amount not to exceed \$25 million. To date, \$15.7 million of the bonds have been sold. The City is planning to issue additional park bonds for the redevelopment and expansion of Shain Park and possible improvements to Barnum, St. James and Kenning Parks, the Rouge River trail, and other park improvements and enhancements. City residents in February 2006 also approved a \$9.8 million general obligation bond issue to preserve existing parking at Lot #7 by constructing a two-level structure under the existing lot. This project will provide for the expansion of Shain Park into parking Lot #7 following completion of the two-level underground parking structure that will replace the current surface lot.

Major Initiatives - The City, in conjunction with the Michigan Department of Transportation (MDOT), has undertaken the reconstruction of North Old Woodward Avenue. The total estimated cost of the project is \$5.94 million. This includes \$1.52 million for sewer relief and water-main revisions; \$1.25 million for bridge replacement; and \$3.17 million for pavement reconstruction and median improvements. The road reconstruction portion of the project is being funded by federal grants (\$1.59 million); state grants (\$672,000); special assessments (\$228,400); and City funds (\$678,000). The bridge replacement and water and sewer improvements are completed and were funded by the City. The pavement reconstruction began in April 2007 and is expected to be substantially completed this fall.

The City, in conjunction with the City of Troy, has received a \$350,000 grant from MDOT to be used toward the construction of a \$4.5 million regional transit center. The 17,500 square foot center will be located at Maple and Coolidge Roads and includes a train station, four-story parking deck, and drop-off points for taxis, buses, and limousines. The City has allocated \$200,000 toward this project in addition to \$39,220 of annual community credit funds received from the Suburban Mobility Authority for Regional Transportation (SMART).

These projects are significant because efficient transportation networks and modern infrastructure are becoming increasingly important in a faster-paced economic environment. Well-maintained and efficient transportation systems provide the backbone for all economic activity.

Pension and Other Postemployment Benefits - The City of Birmingham Employees' Retirement System is a single-employer defined benefit pension plan, which covers all full-time employees of the City. Required contributions are determined as a part of an annual actuarial valuation. As of June 30, 2006, the ratio of present assets to actuarial accrued liabilities was 108.9%. The City of Birmingham also provides postretirement healthcare benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 169 retired employees and beneficiaries receiving these benefits, which are advance-funded by employer contributions expressed as a percentage of annual covered payrolls at actuarially determined rates. Additional information pertaining to the City's pension and postemployment benefits can be found in Notes 11 and 12 of the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Birmingham for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the seventeenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2006. This was the seventeenth consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report was made possible by the dedicated service of the entire staff of the finance department. Each of these individuals has our sincere appreciation for the contributions made in the preparation of this report, as well as all additional individuals who assisted in this effort. Appreciation is also expressed to the City Commission for their consistent support throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas M. Markus".

Thomas M. Markus
City Manager

A handwritten signature in black ink, appearing to read "B. Sharon Ostin".

B. Sharon Ostin
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Birmingham
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

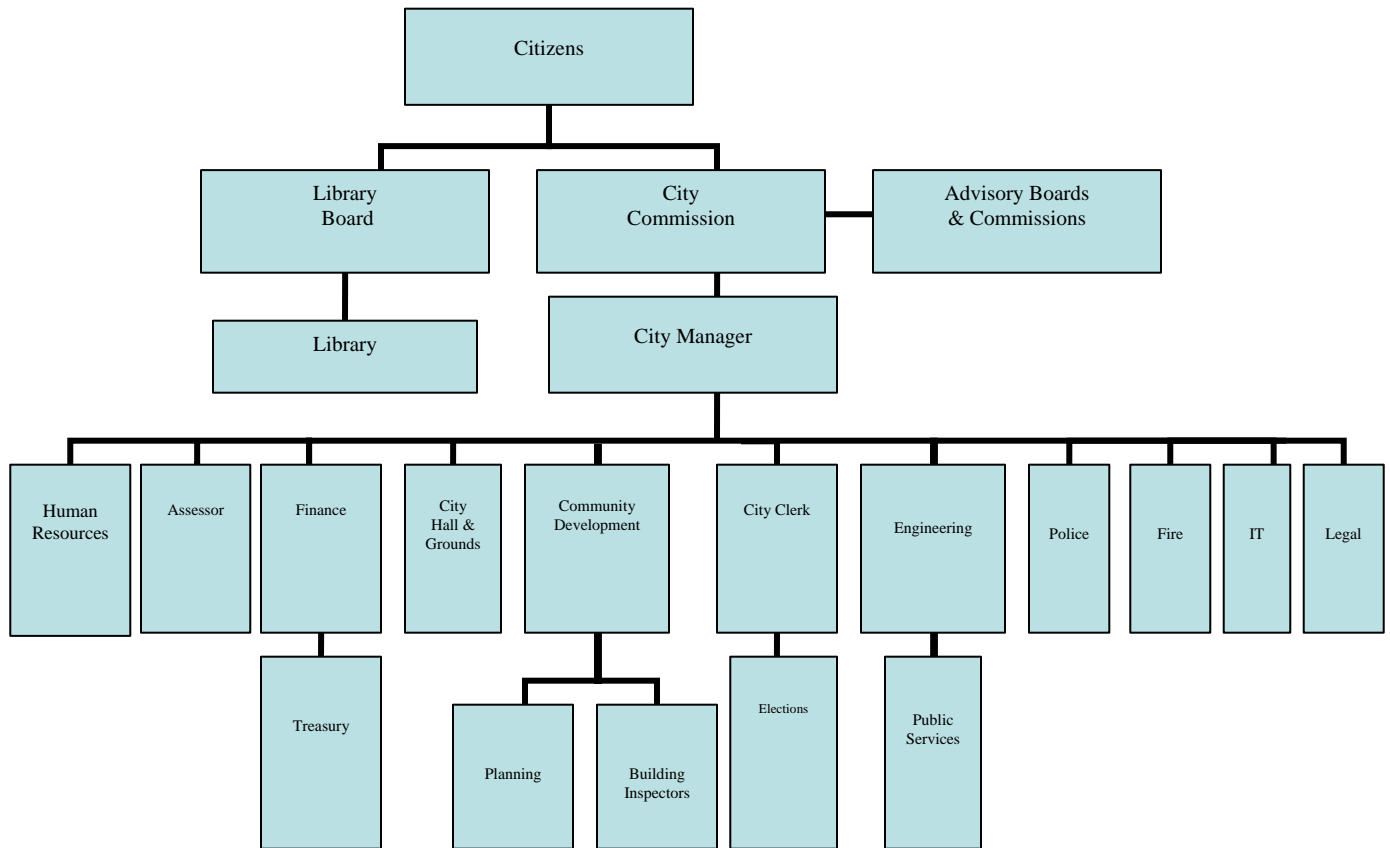


President

Executive Director

Birmingham

2006-2007 Organization Chart



Financial Section



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Independent Auditor's Report

To the Honorable Mayor
and City Commission
City of Birmingham, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Birmingham, Michigan (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Birmingham, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Birmingham, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor
and City Commission
City of Birmingham, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis, pension systems schedule of funding progress, and the major fund budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and pension systems schedule of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran, PLLC

November 7, 2007

Management's Discussion and Analysis

Management's Discussion and Analysis

The City of Birmingham's management's discussion and analysis (MD&A) is designed to provide an objective and easy-to-read analysis of the City's financial activities based on current information and facts. The MD&A is intended to serve as an introduction to the City's basic financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify fund issues.

The information contained within this MD&A is only a component of the entire financial statements. Readers are encouraged to read it in conjunction with the transmittal letter, which can be found on pages i-v of this report, and the City's financial statements, which follow this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- The City's total revenues were \$53.6 million, while expenses totaled \$40.9 million.
 - Governmental activities generated \$36.3 million in revenue and \$27.1 million in expenses.
 - Business-type activities generated \$17.3 million in revenue and \$13.8 million in expenses.
- Total net assets of the City exceeded its liabilities by \$140.7 million this year.
 - Total net assets related to the City's governmental activities increased by approximately \$9.2 million, with \$8 million of that amount invested in capital assets, \$3.1 million restricted primarily for street improvements and subsequent year expenses, and a decrease of \$2 million in unrestricted assets.
 - Net assets of our business-type activities increased overall by \$3.5 million. Of this amount, \$6.9 million was invested in capital assets with a reduction in unrestricted assets totaling \$3.4 million.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$8.7 million, or 33.7 percent of total General Fund expenditures and transfers out.
- In December 2006, the City sold \$8.9 million in general obligation refunding bonds to refund the eligible portion of the City's outstanding 2002 parks and recreation bonds. The refunding of the 2002 bonds resulted in over \$265,000 in savings.

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

In addition to the MD&A (this section), the City's annual report consists of three other parts: (1) basic financial statements, (2) required supplemental information, and (3) an optional section that presents combining statements for nonmajor governmental, enterprise, internal service, and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City:

Government-wide Financial Statements – These statements provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the City's finances and whether taxpayers have funded the full cost of providing governmental services. The first two statements are government-wide financial statements and include the following:

- The statement of net assets presents information pertaining to all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Birmingham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include water and sewer disposal systems, automobile parking, and municipal golf courses.

The government-wide financial statements include not only the City of Birmingham itself (known as the primary government), but also the legally separate Baldwin Public Library, Principal Shopping District, and the Brownfield Redevelopment Authority, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements – The remaining statements are fund financial statements. The City of Birmingham, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the City's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. The City's three fund financial statements include the following:

- **Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, offer short- and long-term financial information.
 - In fact, the City's Enterprise Funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City also utilizes Internal Service Funds (the other kind of proprietary fund) to report activities that provide supplies and services to the City's other programs and activities, such as the City's Equipment Fund. Because these services predominately benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.
- **Fiduciary Funds** – Fiduciary funds provide information about resources held for the benefit of parties outside the government – such as the retirement plan for the City's employees – in which the City acts solely as a trustee or agent. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Notes to the Financial Statements – The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. This information includes budgetary comparisons for the City's General Fund and major Special Revenue Funds. It also includes combining statements for the City's nonmajor governmental funds, Internal Service Funds, and Fiduciary Funds. Immediately following the supplemental information is a statistical section, which provides certain information pertaining to general government revenues, expenditures, tax revenues and collections, and demographic and other statistical data.

Financial Analysis of the City as a Whole

Net Assets – As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Birmingham, combined net assets increased 9.8 percent from last year to \$140.6 million (see Table A-1). The following table shows, in a condensed format, the net assets of the City as of June 30, 2006 and 2007:

Table A-1
City of Birmingham's Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-2007
Assets							
Current and other assets	\$ 33.7	\$ 36.2	\$ 20.6	\$ 17.8	\$ 54.3	\$ 54.0	(0.6)
Capital assets	<u>60.7</u>	<u>67.4</u>	<u>75.7</u>	<u>79.7</u>	<u>136.4</u>	<u>147.1</u>	7.8
Total assets	94.4	103.6	96.3	97.5	190.7	201.1	5.5
Liabilities							
Current liabilities	2.6	3.5	2.6	3.2	5.2	6.7	28.8
Long-term liabilities	<u>21.1</u>	<u>20.2</u>	<u>36.4</u>	<u>33.5</u>	<u>57.5</u>	<u>53.7</u>	(6.6)
Total liabilities	<u>23.7</u>	<u>23.7</u>	<u>39.0</u>	<u>36.7</u>	<u>62.7</u>	<u>60.4</u>	(3.7)
Net Assets							
Invested in capital assets -							
Net of related debt	41.1	49.1	39.4	46.3	80.5	95.4	18.5
Restricted	6.9	10.1	-	-	6.9	10.1	46.4
Unrestricted	<u>22.7</u>	<u>20.7</u>	<u>17.9</u>	<u>14.5</u>	<u>40.6</u>	<u>35.2</u>	(13.3)
Total net assets	<u>\$ 70.7</u>	<u>\$ 79.9</u>	<u>\$ 57.3</u>	<u>\$ 60.8</u>	<u>\$ 128.0</u>	<u>\$ 140.7</u>	9.9

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Over 65 percent of the City's total net assets is made up of its investment in capital assets, less any related debt used to acquire those assets. The City's net assets related to governmental activities increased \$9.1 million, or 13 percent, and net assets related to business-type activities increased \$3.5 million, or 6.1 percent over the 2006 fiscal year. The City has undertaken several major capital improvement projects. The \$15.7 million Park and Recreation improvements and significant road projects such as reconstruction of North Old Woodward and bridge replacement (governmental activities) and the \$32 million 10-year sewer improvement and \$15 million water-main programs (business-type activities) have resulted in these increases. The City uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending.

Restricted net assets of the City totaled \$10.1 million at June 30, 2007, and increased by 44.9 percent for the year. These net assets are reported in governmental activities and have limits on their use that are externally imposed by restrictions such as enabling legislation or bond covenants. These resources can only be used for the specific purposes for which they were intended, such as expenditures for major and local streets, construction code activities, or debt service requirements. The remaining unrestricted net assets may be used to meet the City's ongoing operations. Unrestricted net assets related to governmental activities decreased by \$2 million or 8.8 percent.

Changes in Net Assets – The City's combined total revenue increased \$4.8 million, or 9.8 percent from 2006 to 2007 as shown in Table A-2. The City's revenue comes from two major sources: property taxes and charges for services. Approximately half of the City's total revenue comes from property taxes (50.8 percent in 2006 and 49.4 percent in 2007). Charges for services represented 36.9 percent of the total revenue in 2006 and 30.4 percent in 2007. The balance of the revenue is derived mainly from state and federal sources.

The City's combined total expenses increased \$.5 million, or 1.2 percent, from 2006 to 2007. The City's expenses cover a wide range of services, with public safety and public works representing approximately 44% of total expenses. For both fiscal years, the City had revenue in excess of expenses for both governmental and business-type activities.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Table A-2 below and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2
Changes in City of Birmingham's Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-2007
Revenues							
Program revenue:							
Charges for services	\$ 5.2	\$ 4.1	\$ 12.8	\$ 12.2	\$ 18.0	\$ 16.3	(9.4)
Operating grants and contributions	1.5	1.5	-	-	1.5	1.5	-
Capital grants and contributions	1.3	5.2	-	-	1.3	5.2	300.0
General revenue:							
Property taxes	20.7	22.2	4.1	4.3	24.8	26.5	6.9
State-shared revenue	1.8	1.7	-	-	1.8	1.7	(5.6)
Unrestricted investment earnings	0.9	1.6	0.5	0.8	1.4	2.4	71.4
Total revenues	31.4	36.3	17.4	17.3	48.8	53.6	9.8
Program Expenses							
General government	4.2	4.6	-	-	4.2	4.6	9.5
Public safety	10.8	10.8	-	-	10.8	10.8	-
Public works	6.8	7.1	-	-	6.8	7.1	4.4
Community and economic development	2.4	1.9	-	-	2.4	1.9	(20.8)
Recreation and culture	1.7	2.0	-	-	1.7	2.0	17.6
Interest on long-term debt	0.8	0.7	-	-	0.8	0.7	(12.5)
Water and sewer	-	-	9.2	9.4	9.2	9.4	2.2
Parking	-	-	3.4	3.3	3.4	3.3	(2.9)
Golf courses	-	-	1.1	1.1	1.1	1.1	-
Total expenses	26.7	27.1	13.7	13.8	40.4	40.9	1.2
Increase in Net Assets	4.7	9.2	3.7	3.5	8.4	12.7	51.2
Net Assets - Beginning of year	66.0	70.7	53.6	57.3	119.6	128.0	7.0
Net Assets - End of year	<u>\$ 70.7</u>	<u>\$ 79.9</u>	<u>\$ 57.3</u>	<u>\$ 60.8</u>	<u>\$ 128.0</u>	<u>\$ 140.7</u>	9.9

Management's Discussion and Analysis (Continued)

Governmental Activities – Total revenue for governmental activities increased \$4.9 million, or 15.6 percent. The increase is primarily the result of an increase in capital grants and contributions of \$3.9 million and property taxes of \$1.5 million. The increase in grants and contributions is attributable to one-time federal grants received for the replacement of the Adams Road Bridge and reconstruction of North Old Woodward Avenue. The increase in property taxes was necessary to fund a decline in revenues received from charges for services (building permits and licenses), state-shared revenues and to fund required pension contributions, increases in healthcare costs, and negotiated wage increases.

Total expenses increased \$.4 million or 1.5 percent. The increase in expenses was attributable to increases in general government (\$.4 million), public works (\$.3 million) and recreation and culture (\$.3 million). These increases were partially offset by decreased expenses for community and economic development (\$.5 million) and interest required on long-term debt (\$.1 million). Increases in general government, public works, and recreation and culture were primarily the result of wage increases and increases in hospitalization costs and pension contributions. Increasing pension contributions have been required due to the gradual elimination of overfunding credits. Additionally, public works' expenses have increased because of the expanded holiday lighting program. Recreation and culture expenses have also increased as a result of higher energy costs and costs incurred for the In the Park Program. The decrease in community and economic development expenses is attributable to accounting for the Brownfield Redevelopment Authority Fund as a component unit of the City instead of as a Special Revenue Fund.

Business-type Activities – Total revenue for business-type activities decreased by \$.1 million, or .5 percent. The decrease in charges for services accounted for most of this decrease (\$.6 million) offset by increases in revenues received from investment earnings (\$.3 million) and an increase in property taxes (\$.2 million). Property tax revenues increased as a result of increased debt service payments required for sewer-related debt. Charges for services decreased as a result of a decline in revenues received from golf course fees (\$.2 million) and a reduction in the Sewage-Disposal Fund resulting from a reimbursement received from the Village of Beverly Hills for joint sewer work on the Acacia Park project (\$.3 million).

Total expenses for business-type activities for fiscal year 2006-2007 totaled \$13.8 million, which is \$.1 million higher than fiscal year 2005-2006. As a result of increased rates charged by water and sewer authorities serving the City, operating expenses for the Water and Sewer Funds increased by \$.2 million. The increase was partially offset by a decrease in expenses in the auto parking system (\$.1 million).

Financial Analysis of the City's Funds

Government Funds – The analysis of the City's major funds begins on page 17, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. As noted earlier, the City of Birmingham uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as to show accountability for certain activities, such as special property tax millages. The City has nine governmental funds, categorized into four fund types.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Based on criteria set forth by the Government Accounting Standards Board, the City's major funds for fiscal year 2006-2007 include the General Fund, Major and Local Street Funds, and the Capital Projects Fund.

As of June 30, 2007, the governmental funds of the City of Birmingham reported a combined fund balance of \$21 million. This represents an increase of \$.9 million in comparison with the prior year. Approximately \$11 million of total fund balance, or 53 percent, constitutes unreserved fund balance. Of this amount \$8.7 million and \$2.4 million represents unreserved fund balances of the General Fund and Capital Projects Fund, respectively. Unreserved fund balances may be used to meet the City's on-going obligations to citizens and creditors, without legal restriction.

The remaining \$9.9 million of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to: 1) liquidate contracts and purchase orders of the prior period (\$2.4 million); 2) pay debt service (\$.1 million); 3) be used for construction code activities (\$.5 million); 4) fund capital improvement projects such as street, facility and park improvements (\$4.3 million); 5) provide for solid waste disposal (\$1 million); and 6) other restricted purposes (\$1.6 million).

The fund balance of the City's General Fund represents over 78 percent, or \$8.7 million, of the total governmental funds unreserved fund balance and increased by \$1.4 million during the year. Key reasons for this increase are as follows:

- Increase in department service charges to the Major Street, Water and Sewer Funds for additional work performed during the year (\$.5 million),
- Improvements in interest income (\$.3 million)
- Work for sidewalk construction and replacements being deferred until fiscal year 2007-2008 (\$.6 million),
- City departments overall stayed below budget, resulting in total expenditures lower than budget (\$.9 million),
- Payments to the 48th District Court and use of contingency were less than budgeted (\$.4 million).

The Debt Service Fund has a total fund balance of \$.1 million all of which is reserved for the payment of debt service. The Major and Local Street Funds had fund balances of \$3.6 million and \$2.3 million, respectively, all of which is reserved and must primarily be used for road projects and street improvements. The City has a dedicated property tax for waste collection and disposal. The Solid Waste Fund's fund balance of \$1 million at June 30, 2007 is restricted and therefore can only be used for refuse collection and disposal purposes.

Proprietary Funds – In addition to governmental funds, the City uses proprietary funds, which provide a similar type of information as that contained in the government-wide financial statements, but in more detail. The Water and Sewage Disposal Funds, Automobile Parking System Fund, Municipal Golf Courses Fund, and Internal Service Funds make up the City's proprietary funds.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Unrestricted net assets for the Water and Sewage Disposal Funds totaled \$4.8 million and \$6.7 million, respectively, and those for the Automobile Parking System totaled \$2.8 million. The increase of \$.9 million in net assets for the Water Fund is the result of expenditures for the City's water-main improvement program of \$1 million a year. Total net assets for the Sewage Disposal Fund increased \$2.1 million as a result of improvements made under the City's \$32 million 10-year sewer improvement program. Unrestricted net assets of the Automobile Parking Fund decreased by \$.7 million and were used to fund improvements made to the City's parking decks during the year.

General Fund Budgetary Highlights

Actual revenues for the year ended June 30, 2007 exceeded the amended budget by \$354,667, or 1.3 percent. The difference was primarily attributable to receiving more state-shared revenue than expected, charges for services from the Major Street, Water, and Sewer Funds being greater than anticipated, and investments of the City performing significantly better than originally planned. City departments overall stayed below budget and expenditures for the sidewalk program were delayed until the 2008-2009 fiscal year, resulting in total expenditures being lower than the amended budget by \$1.7 million. The additional revenues received, combined with better than expected performance by departments, resulted in an increase to the General Fund's fund balance of \$1,815,112.

Differences between original budgeted revenues and the final amended budget totaled \$29,654. Amended budget expenditures were \$294,500 greater than the original budget. This increase was attributable to the budget being amended on July 1, 2006, as approved by the City Commission for encumbrances that were outstanding at the end of the prior fiscal year for this amount.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

The City of Birmingham had a total of \$147.0 million invested in capital assets (net of accumulated depreciation) at the end of the fiscal year (see Table A-3). This was a net increase of 7.9 percent over last year. The City's investment in capital assets includes land, buildings, water and sewer lines, roads, highways and bridges, park facilities, and machinery and equipment.

Table A-3
City of Birmingham Capital Assets
(net of depreciation – in millions)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	2006-2007
Land	\$ 10.3	\$ 10.3	\$ 1.6	\$ 1.6	\$ 11.9	\$ 11.9	-
Buildings and improvements	25.1	26.1	17.1	17.3	42.2	43.4	2.8
Equipment	2.9	3.0	0.5	0.6	3.4	3.6	5.9
Infrastructure	20.0	25.4	54.8	58.0	74.8	83.4	11.5
Construction in progress	2.3	2.4	1.7	2.3	4.0	4.7	17.5
Total	\$ 60.6	\$ 67.2	\$ 75.7	\$ 79.8	\$ 136.3	\$ 147.0	7.9

Governmental capital assets increased \$6.6 million or 10.9 percent over last year. Most of the increase, \$5.4 million, is the result of improvements to the City's roads and bridges. Additionally, \$1 million is attributable to park and recreation improvements as a result of a \$15.7 million bond issue.

Total business-type capital assets increased \$4.1 million or 5.4 percent over last year. Major additions to infrastructure net of depreciation include \$1.9 million in sewer and \$1.3 million in water-main improvements. Construction in progress at June 30, 2007 totals \$2.3 million which is an increase of \$.6 million from the prior year. Additional information pertaining to capital assets can be found in note 5 on pages 41 to 43 of this report.

Long-term Debt – The City's total indebtedness as of June 30, 2007 is \$52.3 million. Of this amount, \$30.5 million is general obligation bonds, which is an amount considerably below the debt limit of \$282 million. In addition, the City has contractual obligations totaling \$21.8 million. This amount represents the City's portion of Oakland County bonds related to three CSO abatement projects, the George W. Kuhn retention/treatment facility, and the North Arm Project.

City of Birmingham, Michigan

Management's Discussion and Analysis (Continued)

During the year, the City also refinanced some of its existing debt to take advantage of favorable interest rates. The refinancing is expected to decrease future debt service payments by approximately \$265,000.

The City of Birmingham maintains a "AAA" rating from Standard & Poor's and Fitch and an "Aa1" rating from Moody's for general obligation debt. Additional information on the City's long-term debt can be found in Note 6 on pages 44 to 46 of this report.

Economic Factors and Next Year's Budgets and Rates

Over the past seven years, the State's financial condition has worsened as a result of restructuring in the auto industry. The State is also struggling with a decline in the residential real estate market which has resulted in job losses associated with this sector as well. Revenue constraints with increased costs combined to present a challenge in developing the fiscal year 2007-2008 budget. On the revenue side, as a result of continued state budget deficits and a slow state economy, further decreases in state-shared revenues (the City's second largest revenue source) were expected as well as declines in building permit and review fees. On the expenditure side, costs were budgeted to increase for retirement contributions resulting from the gradual elimination of overfunding credits. Birmingham is fortunate to have an increasing tax base, which has resulted from continued commercial growth and development. This growth has been essential in offsetting the negative economic factors impacting the state. Additionally, interest income was expected to continue to improve as a result of strong investment performance. Also, as a result of consolidations, enhanced technology, cooperative efforts and sharing of services with other governmental units, the City was able to reduce costs, including legacy costs through the reduction of eight full-time positions.

During the 2006-2007 fiscal year, fund balance in the General Fund increased by \$1.8 million to \$10.7 million. Of this amount, \$2 million is legally restricted and \$.5 million has been designated by the City Commission to finance future major capital expenditures. Fund balance will continue to be maintained at a minimum of 10 percent of the current year's expenditures established to provide for unforeseen emergencies. The approved total millage levy of 14.6214 mills, which includes the City's operating, refuse, library and debt service levies, represents a decrease from the prior year's levy of 14.9646 mills. General Fund property tax revenue is estimated at \$20.3 million for 2007-2008.

Request for Information

This financial information is designed to provide a general overview of the City of Birmingham's finances to the City's citizens, customers, investors, creditors and others who are interested in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Birmingham's Finance Department, P.O. Box 3001, Birmingham, MI 48012.

Basic Financial Statements

City of Birmingham, Michigan

Statement of Net Assets June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 4)	\$ 31,717,208	\$ 13,817,464	\$ 45,534,672	\$ 3,886,940
Receivables - Net:				
Customers	368,961	2,840,716	3,209,677	-
Special assessments	809,174	171,232	980,406	103,886
Delinquent personal property taxes	67,752	-	67,752	-
Inventories	108,249	10,699	118,948	-
Prepaid costs and other assets	571,163	926,594	1,497,757	84,344
Due from other governmental units	1,507,792	-	1,507,792	58,456
Restricted assets (Note 7)	1,039,591	-	1,039,591	-
Capital assets - Net (Note 5):				
Assets subject to depreciation	54,533,041	75,799,815	130,332,856	2,806,276
Assets not subject to depreciation	12,740,631	3,898,923	16,639,554	95,500
Investment in joint venture - 48th District Court (Note 13)	105,273	-	105,273	-
Total assets	103,568,835	97,465,443	201,034,278	7,035,402
Liabilities				
Accounts payable	1,836,822	1,818,240	3,655,062	194,802
Accrued and other liabilities	1,360,860	1,404,654	2,765,514	100,420
Unearned revenue (Note 9)	65,610	-	65,610	-
Provision for uninsured losses and liabilities (Note 10)	266,388	-	266,388	-
Noncurrent liabilities (Note 6):				
Due within one year	1,780,155	2,867,271	4,647,426	6,713
Due in more than one year	18,388,031	30,591,598	48,979,629	105,124
Total liabilities	23,697,866	36,681,763	60,379,629	407,059
Net Assets				
Investment in capital assets - Net of related debt	49,133,247	46,265,092	95,398,339	2,901,776
Restricted:				
Major and Local Streets	6,532,260	-	6,532,260	-
Solid waste	1,049,973	-	1,049,973	-
Debt service	107,427	-	107,427	-
Law and drug enforcement	219,476	-	219,476	-
Construction code activities (Note 3)	516,723	-	516,723	-
Other	1,581,420	-	1,581,420	-
Brownfield redevelopment	-	-	-	7,217
Unrestricted	20,730,443	14,518,588	35,249,031	3,719,350
Total net assets	\$ 79,870,969	\$ 60,783,680	\$ 140,654,649	\$ 6,628,343

City of Birmingham, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,615,465	\$ 380,921	\$ 14,954	\$ -
Public safety	10,866,289	1,453,059	262,843	-
Public works	7,091,099	220,857	1,164,531	5,067,222
Community and economic development	1,875,319	1,223,222	34,814	-
Recreation and culture	1,968,067	828,184	39,637	89,796
Interest on long-term debt	691,966	-	12,568	-
Total governmental activities	27,108,205	4,106,243	1,529,347	5,157,018
Business-type activities:				
Water and sewer	9,394,229	7,484,810	-	-
Automobile parking	3,330,406	3,713,506	-	-
Golf courses	1,099,025	974,386	-	-
Total business-type activities	13,823,660	12,172,702	-	-
Total primary government	\$ 40,931,865	\$ 16,278,945	\$ 1,529,347	\$ 5,157,018
Component units:				
Baldwin Public Library	\$ 3,583,475	\$ 743,999	\$ 44,099	\$ -
Brownfield Redevelopment Authority	302,555	19,952	283,964	-
Principal Shopping District	1,005,052	799,622	171,738	-
Total component units	\$ 4,891,082	\$ 1,563,573	\$ 499,801	\$ -
Unrestricted general revenues:				
Property taxes				
State-shared revenues				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,219,590)	\$ -	\$ (4,219,590)	\$ -
(9,150,387)	-	(9,150,387)	-
(638,489)	-	(638,489)	-
(617,283)	-	(617,283)	-
(1,010,450)	-	(1,010,450)	-
(679,398)	-	(679,398)	-
(16,315,597)	-	(16,315,597)	-
-	(1,909,419)	(1,909,419)	-
-	383,100	383,100	-
-	(124,639)	(124,639)	-
-	(1,650,958)	(1,650,958)	-
(16,315,597)	(1,650,958)	(17,966,555)	-
-	-	-	(2,795,377)
-	-	-	1,361
-	-	-	(33,692)
-	-	-	(2,827,708)
22,152,298	4,253,485	26,405,783	2,920,176
1,732,302	-	1,732,302	84,653
1,566,735	834,347	2,401,082	302,401
48,407	-	48,407	-
(27,470)	27,470	-	-
25,472,272	5,115,302	30,587,574	3,307,230
9,156,675	3,464,344	12,621,019	479,522
70,714,294	57,319,336	128,033,630	6,148,821
\$ 79,870,969	\$ 60,783,680	\$ 140,654,649	\$ 6,628,343

City of Birmingham, Michigan

Governmental Funds Balance Sheet June 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 4)	\$ 11,127,547	\$ 3,608,184	\$ 2,329,695	\$ 2,331,470	\$ 1,513,683	\$ 20,910,579
Receivables - Net:						
Customers	253,069	8,052	15,676	89,281	217	366,295
Special assessments	44,737	161,961	544,273	58,203	-	809,174
Delinquent personal property taxes	67,752	-	-	-	-	67,752
Prepaid items and other assets	16,699	-	-	-	-	16,699
Due from other governmental units	851,470	131,454	55,324	-	23,095	1,061,343
Restricted assets (Note 7)	-	-	-	747,292	-	747,292
Inventories	-	77,273	30,909	-	-	108,182
Total assets	\$ 12,361,274	\$ 3,986,924	\$ 2,975,877	\$ 3,226,246	\$ 1,536,995	\$ 24,087,316
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 795,944	\$ 226,240	\$ 145,111	\$ 39,758	\$ 148,602	\$ 1,355,655
Accrued and other liabilities	670,937	28,987	30,203	-	11,300	741,427
Deferred revenue (Note 9)	230,648	149,969	488,836	146,587	217	1,016,257
Total liabilities	1,697,529	405,196	664,150	186,345	160,119	3,113,339
Fund Balances						
Reserved for:						
Encumbrances	164,349	1,162,988	639,087	321,045	85,983	2,373,452
Law and drug enforcement programs	-	-	-	-	139,488	139,488
Construction code activities (Note 3)	516,723	-	-	-	-	516,723
Prepays and inventory	16,699	77,273	30,909	-	-	124,881
Highway and street projects	-	2,341,467	1,641,731	-	-	3,983,198
Facility and park improvement projects	-	-	-	307,848	-	307,848
Solid waste	-	-	-	-	1,043,978	1,043,978
Debt service	-	-	-	-	107,427	107,427
Next year's budget appropriation	1,289,120	-	-	-	-	1,289,120
Unreserved - Reported in:						
General Fund	8,176,854	-	-	-	-	8,176,854
Capital Projects Fund	-	-	-	933,555	-	933,555
Designated (Note 8)	500,000	-	-	1,477,453	-	1,977,453
Total fund balances	10,663,745	3,581,728	2,311,727	3,039,901	1,376,876	20,973,977
Total liabilities and fund balances	\$ 12,361,274	\$ 3,986,924	\$ 2,975,877	\$ 3,226,246	\$ 1,536,995	\$ 24,087,316

City of Birmingham, Michigan

Government Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2007

Fund Balance - Total Governmental Funds	\$ 20,973,977
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds	67,273,671
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Special assessment, parking fines, and other miscellaneous receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,397,096
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Equity interest in 48th District Court is not reported in governmental funds	105,273
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Long-term liabilities are not due and payable in the current period and are not reported in the funds, including related accrued interest	(20,053,023)
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Internal Service Funds are included as part of governmental activities, net of amounts included above as capital assets	<u>10,173,975</u>
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Net Assets - Governmental Activities	<u>\$ 79,870,969</u>
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City of Birmingham, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes and special assessments	\$ 19,057,117	\$ 38,444	\$ 201,390	\$ 9,005	\$ 3,280,434	\$ 22,586,390
Licenses and permits	1,471,868	-	-	-	-	1,471,868
Federal grants	93,620	-	-	-	180,267	273,887
State sources	1,826,732	810,606	349,926	-	-	2,987,264
Charges for services	2,729,018	-	-	-	33,188	2,762,206
Fines and forfeitures	1,422,209	-	-	-	-	1,422,209
Use of money and property	877,014	212,542	137,916	181,870	108,402	1,517,744
Other	97,138	50,001	-	70,368	-	217,507
Total revenues	27,574,716	1,111,593	689,232	261,243	3,602,291	33,239,075
Expenditures						
Current:						
General government	5,367,207	-	-	-	-	5,367,207
Public safety	10,525,657	-	-	-	76,518	10,602,175
Public works	3,290,440	-	-	-	-	3,290,440
Highway and streets	-	1,170,239	1,392,492	-	-	2,562,731
Community and economic development	1,861,088	-	-	-	47,853	1,908,941
Solid waste disposal	-	-	-	-	1,588,623	1,588,623
Contributions	768,622	-	-	-	-	768,622
Capital outlay	-	2,654,875	494,969	1,575,226	-	4,725,070
Debt service	-	-	-	-	1,584,365	1,584,365
Total expenditures	21,813,014	3,825,114	1,887,461	1,575,226	3,297,359	32,398,174
Excess of Revenues Over (Under) Expenditures	5,761,702	(2,713,521)	(1,198,229)	(1,313,983)	304,932	840,901
Other Financing Sources (Uses)						
Transfers in	47,255	3,800,000	1,908,965	333,240	-	6,089,460
Transfers out	(3,993,845)	(193,455)	-	(1,800,000)	(129,630)	(6,116,930)
Bond issuance	-	-	-	8,920,000	-	8,920,000
Discount on bond	-	-	-	(38,652)	-	(38,652)
Payments to bond escrow agent	-	-	-	(8,842,409)	-	(8,842,409)
Total other financing sources (uses)	(3,946,590)	3,606,545	1,908,965	(1,427,821)	(129,630)	11,469
Net Change in Fund Balance	1,815,112	893,024	710,736	(2,741,804)	175,302	852,370
Fund Balances - Beginning of year	8,848,633	2,688,704	1,600,991	5,781,705	1,201,574	20,121,607
Fund Balances - End of year	\$ 10,663,745	\$ 3,581,728	\$ 2,311,727	\$ 3,039,901	\$ 1,376,876	\$ 20,973,977

City of Birmingham, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 852,370
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	1,783,516
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Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	4,514,330
--	-----------

Accrued interest on long-term liabilities	(7,601)
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Bond issuance is not reported as financing sources on the statement of activities	(8,881,348)
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Payments to bond escrow agent and bond principal are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	9,883,723
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Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	68,068
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Governmental funds report proceeds from sale; in the statement of activities, only the respective gain or loss is recognized	5,179
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Internal Service Funds are also included as governmental activities	923,962
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Transfer of District Court equity	<u>14,476</u>
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Change in Net Assets of Governmental Activities	<u>\$ 9,156,675</u>
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City of Birmingham, Michigan

Proprietary Funds Statement of Net Assets June 30, 2007

	Water Supply System Receiving	Sewage Disposal System	Automobile Parking Fund	Golf Courses (Other Nonmajor Enterprise Fund)	Total	Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 4,297,355	\$ 6,324,717	\$ 2,868,705	\$ 326,687	\$ 13,817,464	\$ 10,826,197
Receivables - Net - Customers	1,094,015	1,821,231	92,312	4,390	3,011,948	2,666
Inventories	-	-	10,699	-	10,699	68
Total current assets	5,391,370	8,145,948	2,971,716	331,077	16,840,111	10,828,931
Noncurrent assets:						
Other assets	-	896,989	29,605	-	926,594	325,818
Restricted assets (Note 7)	-	-	-	-	-	292,300
Capital assets (Note 5)	13,484,581	46,520,211	18,201,582	1,492,364	79,698,738	2,427,344
Total noncurrent assets	13,484,581	47,417,200	18,231,187	1,492,364	80,625,332	3,045,462
Total assets	18,875,951	55,563,148	21,202,903	1,823,441	97,465,443	13,874,393
Liabilities						
Current liabilities:						
Accounts payable	416,498	1,174,353	195,529	31,860	1,818,240	500,735
Provision for uninsured losses and liabilities (Note 10)	-	-	-	-	-	266,388
Accrued and other liabilities	125,107	1,173,958	48,937	56,652	1,404,654	165,554
Current portion of long-term debt and compensated absences (Note 6)	13,683	2,121,472	725,000	7,116	2,867,271	25,210
Total current liabilities	555,288	4,469,783	969,466	95,628	6,090,165	957,887
Noncurrent liabilities:						
Provision for compensated absences	1,787	-	-	2,636	4,423	314,642
Long-term debt - Net of current portion (Note 6)	-	30,587,175	-	-	30,587,175	-
Total noncurrent liabilities	1,787	30,587,175	-	2,636	30,591,598	314,642
Total liabilities	557,075	35,056,958	969,466	98,264	36,681,763	1,272,529
Net Assets						
Investment in capital assets - Net of related debt	13,484,581	13,811,564	17,476,582	1,492,364	46,265,091	2,427,344
Restricted	-	-	-	-	-	292,300
Unrestricted	4,834,295	6,694,626	2,756,855	232,813	14,518,589	9,882,220
Total net assets	\$ 18,318,876	\$ 20,506,190	\$ 20,233,437	\$ 1,725,177	\$ 60,783,680	\$ 12,601,864

City of Birmingham, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Water Supply System Receiving	Sewage Disposal System	Automobile Parking Fund	Golf Courses (Other Nonmajor Enterprise Fund)	Total	Internal Service Funds
Operating Revenues						
Sale of water	\$ 2,884,048	\$ -	\$ -	\$ -	\$ 2,884,048	\$ -
Sewage disposal charges	-	4,600,763	-	-	4,600,763	-
Golf course fees and charges	-	-	-	974,386	974,386	-
Charges for services	-	-	-	-	-	5,664,882
Automobile parking system fees and charges	-	-	3,713,505	-	3,713,505	-
Total operating revenues	2,884,048	4,600,763	3,713,505	974,386	12,172,702	5,664,882
Operating Expenses						
Cost of water produced/purchased	1,421,488	-	-	-	1,421,488	-
Cost of sewage treatment	-	2,823,134	-	-	2,823,134	-
Operation and maintenance	1,248,713	589,664	2,245,512	752,224	4,836,113	1,655,866
General and administrative	143,999	191,227	131,001	307,889	774,116	3,020,208
Depreciation and amortization (Note 5)	465,729	1,274,663	946,135	38,912	2,725,439	626,455
Total operating expenses	3,279,929	4,878,688	3,322,648	1,099,025	12,580,290	5,302,529
Operating Income (Loss)	(395,881)	(277,925)	390,857	(124,639)	(407,588)	362,353
Nonoperating Revenue (Expenses)						
Investment income	254,182	391,649	137,829	50,687	834,347	512,366
Interest expense	-	(1,235,612)	(7,758)	-	(1,243,370)	-
Loss on disposal of assets	-	-	-	-	-	19,652
Property taxes	995,744	3,257,741	-	-	4,253,485	-
Total nonoperating revenue	1,249,926	2,413,778	130,071	50,687	3,844,462	532,018
Income (Loss) - Before contributions and transfers	854,045	2,135,853	520,928	(73,952)	3,436,874	894,371
Capital Contributions	-	-	-	-	-	29,589
Transfers from (to) Other Funds	-	-	47,470	(20,000)	27,470	-
Change in Net Assets	854,045	2,135,853	568,398	(93,952)	3,464,344	923,960
Net Assets - Beginning of year	17,464,831	18,370,337	19,665,039	1,819,129	57,319,336	11,677,904
Net Assets - End of year	<u>\$ 18,318,876</u>	<u>\$ 20,506,190</u>	<u>\$ 20,233,437</u>	<u>\$ 1,725,177</u>	<u>\$ 60,783,680</u>	<u>\$ 12,601,864</u>

**Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2007**

	Water Supply System Receiving	Sewage Disposal System	Automobile Parking Fund	Golf Courses (Other Nonmajor Enterprise Fund)	Total	Internal Service Funds
Cash Flows from Operating Activities						
Receipts from customers and others	\$ 2,771,850	\$ 4,506,745	\$ 3,733,987	\$ 973,725	\$ 11,986,307	\$ 5,665,226
Payments to suppliers	(2,060,790)	(2,255,951)	(2,205,200)	(430,264)	(6,952,205)	(3,293,380)
Payments to employees	(796,368)	(462,291)	(280,109)	(656,427)	(2,195,195)	(747,019)
Net cash provided by (used in) operating activities	(85,308)	1,788,503	1,248,678	(112,966)	2,838,907	1,624,827
Cash Flows from Noncapital Financing Activities						
Transfers from (to) other funds	-	-	47,470	(20,000)	27,470	-
Property taxes	995,744	2,370,170	-	-	3,365,914	-
Net cash provided by (used in) noncapital financing activities	995,744	2,370,170	47,470	(20,000)	3,393,384	-
Cash Flows from Capital and Related Financing Activities						
Contributed capital	-	-	-	-	-	29,589
Issuance of debt	-	76,777	-	-	76,777	-
Principal and interest paid on capital debt	-	(3,282,703)	(1,044,000)	-	(4,326,703)	-
Purchase of capital assets	(1,839,992)	(3,451,232)	(1,146,787)	(133,363)	(6,571,374)	(733,754)
Proceeds from sale of capital assets	-	-	-	-	-	60,276
Property taxes - Restricted for capital debt	-	887,571	-	-	887,571	-
Net cash used in capital and related financing activities	(1,839,992)	(5,769,587)	(2,190,787)	(133,363)	(9,933,729)	(643,889)
Cash Flows from Investing Activities -						
Interest received on investments	254,182	391,649	137,829	50,687	834,347	512,367
Net Increase (Decrease) in Cash and Cash Equivalents	(675,374)	(1,219,265)	(756,810)	(215,642)	(2,867,091)	1,493,305
Cash and Cash Equivalents - Beginning of year	4,972,729	7,543,982	3,625,515	542,329	16,684,555	9,625,192
Cash and Cash Equivalents - End of year	<u>\$ 4,297,355</u>	<u>\$ 6,324,717</u>	<u>\$ 2,868,705</u>	<u>\$ 326,687</u>	<u>\$ 13,817,464</u>	<u>\$ 11,118,497</u>
Balance Sheet Classification of Cash and Cash Equivalents						
Cash and investments	\$ 4,297,355	\$ 6,324,717	\$ 2,868,705	\$ 326,687	\$ 13,817,464	\$ 10,826,197
Restricted investments (Note 7)	-	-	-	-	-	292,300
Total cash and cash equivalents	<u>\$ 4,297,355</u>	<u>\$ 6,324,717</u>	<u>\$ 2,868,705</u>	<u>\$ 326,687</u>	<u>\$ 13,817,464</u>	<u>\$ 11,118,497</u>

Proprietary Funds
Statement of Cash Flows (Continued)
Year Ended June 30, 2007

	Water Supply System Receiving	Sewage Disposal System	Automobile Parking Fund	Golf Courses (Other Nonmajor Enterprise Fund)	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income (loss)	\$ (395,881)	\$ (277,925)	\$ 390,857	\$ (124,639)	\$ (407,588)	\$ 362,353
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	465,729	1,200,821	916,530	38,912	2,621,992	626,456
Changes in assets and liabilities:						
Receivables	(106,445)	(94,016)	20,179	(662)	(180,944)	343
Other assets	260	69,878	7,481	955	78,574	11,440
Inventory	-	-	(1,652)	-	(1,652)	-
Accounts payable	3,589	509,132	(106,927)	(40,875)	364,919	446,634
Accrued and other liabilities	(52,560)	380,613	22,210	13,343	363,606	177,601
Net cash provided by (used in) operating activities	<u>\$ (85,308)</u>	<u>\$ 1,788,503</u>	<u>\$ 1,248,678</u>	<u>\$ (112,966)</u>	<u>\$ 2,838,907</u>	<u>\$ 1,624,827</u>

City of Birmingham, Michigan

Fiduciary Fund Statement of Fiduciary Net Assets June 30, 2007

	Pension and Other Employee Benefits	Agency Fund
Assets		
Cash and cash equivalents	\$ 1,900,148	\$ 1,854,235
Investments:		
U.S. government securities	13,613,243	-
Stocks	89,284,873	-
Bonds	13,613,350	-
Receivables - Accrued interest	405,931	4,100
Other assets	367,114	-
Total assets	119,184,659	<u>\$ 1,858,335</u>
Liabilities		
Accounts payable	12,398	\$ 114,889
Accrued and other liabilities	133,618	1,743,446
Total liabilities	146,016	<u>\$ 1,858,335</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 119,038,643</u>	

City of Birmingham, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2007

	<u>Pension and Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 3,480,392
Net increase in fair value of investments	12,373,998
Less investment expenses	<u>(521,537)</u>
Net investment income	15,332,853
Contributions - Employees and employer	2,916,936
Other revenue	<u>62,425</u>
Total additions	18,312,214
Deductions	
Benefit payments	4,728,788
Refunds of contributions	757,668
Administrative expenses and other	<u>186,299</u>
Total deductions	<u>5,672,755</u>
Net Increase	12,639,459
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>106,399,184</u>
End of year	<u><u>\$ 119,038,643</u></u>

City of Birmingham, Michigan

Component Units Statement of Net Assets June 30, 2007

	Baldwin Public Library	Brownfield Redevelopment Authority	Principal Shopping District	Totals
Assets				
Cash and investments	\$ 3,366,136	\$ 2,437	\$ 518,367	\$ 3,886,940
Receivables	-	9,111	94,775	103,886
Due from other governmental units	58,456	-	-	58,456
Capital assets	2,901,676	-	100	2,901,776
Other	-	-	84,344	84,344
Total assets	6,326,268	11,548	697,586	7,035,402
Liabilities				
Accounts payable	118,953	4,331	71,518	194,802
Accrued and other liabilities	84,886	-	15,534	100,420
Noncurrent liabilities:				
Due within one year	-	-	6,713	6,713
Due in more than one year	103,505	-	1,619	105,124
Total liabilities	307,344	4,331	95,384	407,059
Net Assets				
Investment in capital assets - Net of related debt	2,901,676	-	100	2,901,776
Restricted	-	7,217	-	7,217
Unrestricted	3,117,248	-	602,102	3,719,350
Total net assets	\$ 6,018,924	\$ 7,217	\$ 602,202	\$ 6,628,343

City of Birmingham, Michigan

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Baldwin Public Library - Culture and recreation	\$ 3,583,475	\$ 743,999	\$ 44,099
Brownfield Redevelopment Authority - Community development	302,555	19,952	283,964
Principal Shopping District - Community development	<u>1,005,052</u>	<u>799,622</u>	<u>171,738</u>
Total governmental activities	<u>\$ 4,891,082</u>	<u>\$ 1,563,573</u>	<u>\$ 499,801</u>

General revenues:

Taxes

State sources

Use of money and property

Total general revenues

Increase (Decrease) in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Component Units
Statement of Activities
June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Baldwin Public Library	Brownfield Redevelopment Authority	Principal Shopping District	Total
\$ (2,795,377)	\$ -	\$ -	\$ (2,795,377)
-	1,361	-	1,361
-	-	(33,692)	(33,692)
(2,795,377)	1,361	(33,692)	(2,827,708)
2,916,243	3,933	-	2,920,176
84,653	-	-	84,653
279,706	1,386	21,309	302,401
3,280,602	5,319	21,309	3,307,230
485,225	6,680	(12,383)	479,522
5,533,699	537	614,585	6,148,821
\$ 6,018,924	\$ 7,217	\$ 602,202	\$ 6,628,343

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Birmingham (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Birmingham:

Reporting Entity

The City is governed by an elected seven-member commission. As required by generally accepted accounting principles, these financial statements present the City of Birmingham and its component units.

Discretely Presented Component Units – The individual component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The component units are reported within the component units column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

- a. The Baldwin Public Library is governed by a six-member board elected directly by the citizens of Birmingham and funded by a specially voted property tax levy. However, the City Commission approves the Library's annual budget, levies the Library millage, and provides the Library facilities. In addition, the Library is not able to issue its own debt. As a result, the Library is fiscally dependent on the City.
- b. The Principal Shopping District was created to promote economic activity within the principal shopping districts of the City by conducting market research and public relations campaigns, developing, coordinating, and conducting retail and institutional promotions, and sponsoring special events and related activities. Its board consists of eight to 12 members appointed by the city manager with the concurrence of the City Commission. The City Commission is responsible for approving the District's budget and setting the amount of its annual assessment.
- c. The Brownfield Redevelopment Authority was created under Act 381 of the Public Acts of the State of Michigan of 1996, to identify and treat distressed areas of the City in order to promote revitalization. The Authority is governed by a five-member board which is appointed by the mayor of the City subject to the approval of the City Commission.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the

Note 1 - Summary of Significant Accounting Policies (Continued)

residents of the City. The Corporation, whose governing body was selected by the City Commission, transferred its remaining assets to the Principal Shopping District during the year ended June 30, 1994 and is currently inactive. Therefore, there are no financial assets or operations to be reported.

Complete financial statements of the active component units can be obtained from their respective administrative offices at the address below:

Baldwin Public Library
300 West Merrill
Birmingham, MI 48012-3002

Principal Shopping District
798 North Woodward
Birmingham, MI 48009

Brownfield Redevelopment Authority
151 Martin Street
Birmingham, MI 48009

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Agency funds do not report results of operations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government are also recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

When an expense has been incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to first apply restricted resources.

The government reports the following major governmental funds:

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets and Local Street Funds – The Major and Local Streets Funds account for the resources of state gas and weight tax revenues that are restricted for use on major and local streets.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources such as proceeds of bond issues, transfers from other funds, and other revenue necessary for the purpose of constructing or acquiring major capital improvements of the City such as a fire training tower, enhancements to the City's parks, and streetscape improvements. Improvements to the City's roads, water and sewer infrastructure, parking system, golf courses, and those projects financed primarily by special assessments are accounted for in other funds.

The government reports the following major proprietary funds:

Automobile Parking System Fund – The Automobile Parking System Fund accounts for the activities of the parking structures and meters.

Water Supply System Receiving Fund – The Water Supply System Receiving Fund accounts for water sales that finance water purchased from the Southeastern Oakland County Water Authority and the installation and maintenance of meters and mains within the City.

Sewage Disposal System Fund – The Sewage Disposal System Fund accounts for the activities of the sewage collection system. The City of Birmingham disposes of sewage through two county-operated facilities. Operating in the north and southeastern sections of the City is the Southeastern Oakland County Sewage Disposal District, and in the southwestern section of the City, sewage and storm disposal is provided by the Evergreen-Farmington System.

Additionally, the government reports the following fund types:

Internal Service Funds – Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Pension and Other Employees' Benefits Fund – The Pension and Other Employees' Benefits Fund accounts for the activities of the employees' retirement system, which accumulates resources for pension benefit payments to qualified employees and for healthcare benefits provided to employees during retirement.

Agency Funds – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The most significant activities in the Agency Funds relate to tax collections and construction bonds.

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and enterprise funds reported on the proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for water sales and services, sewage disposal, golf course, and automobile parking system fees and charges. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of water, sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Taxes not received by the end of the fiscal year are added to the county tax rolls. The City's property tax revenue for the fiscal year ended June 30, 2007 is based on the 2006 levy, which was billed July 1, 2006.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2006 taxable valuation of the City totaled \$1,971,748,670, on which ad valorem taxes levied consisted of 11.3623 mills for operating purposes. These mills were allocated to the General Fund (9.6479), the Water Fund (.5072), the Sewer Fund (1.2072), .8106 mills for refuse services, and 1.3069 mills for debt service. This resulted in \$22.4 million for operating expenses, \$1.6 million for refuse services, and \$2.6 million for debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments. These amounts are recognized in the respective General, Special Revenue, Debt Service, and Enterprise Funds financial statements as tax revenue.

Component Unit (Baldwin Public Library) Property Taxes

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Taxes not received by the end of the fiscal year are added to the county tax rolls. The City's property tax revenue for the fiscal year ended June 30, 2007 is based on the 2006 levy, which was billed July 1, 2006.

The 2006 taxable value totaled \$1,971,748,670; the Library's millage rate was 1.4848 mills, which resulted in property tax billings of \$2.9 million. The amount recognized as revenue reflects reductions for Board of Review, Michigan Tax Tribunal, and delinquencies, as well as recoveries of prior year delinquencies.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments – Cash and cash equivalents include cash on hand, demand deposits, and investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average.

Receivables – All customer receivables are shown net of allowances for uncollectible amounts. For the year ended June 30, 2007, there was approximately \$1,054,000 in allowances for parking fines, \$108,000 in allowances for delinquent personal property taxes, and approximately \$84,500 in allowances for miscellaneous receivables. Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds, with the exception of those in the Major and Local Streets Funds, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15-25 years
Buildings and improvements	10-50 years
Improvements other than buildings	10-50 years
Land improvements	10-50 years
Machinery and equipment	5-10 years
Water and sewer distribution systems	40-50 years

Compensated Absences (Vacation and Sick Leave) – It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is calculated for the full cost of vacation leave benefits and a portion of the sick leave benefits when accumulated sick leave hours exceed a certain balance. Upon termination or retirement, an employee is entitled to any unused vacation leave benefits. Only upon retirement, however, can an employee be paid a portion of their unused sick leave balance, provided their sick leave balance is over a certain amount. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only for those employees who have terminated as of the end of the year.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Interfund Receivables, Payables, and Transfers

For the year ended June 30, 2007, interfund transfers reported in the fund statements were as follows:

	Transfers Out					Total
	General Fund	Major Streets	Capital Projects Fund	Nonmajor Governmental Funds	Golf Courses	
Transfers in:						
General Fund	\$ -	\$ -	\$ -	\$ 27,255 (7)	\$ 20,000 (3)	\$ 47,255
Major Streets Fund	2,000,000 (1)	-	1,800,000 (6)	-	-	3,800,000
Local Streets Fund	1,715,510 (1)	193,455 (5)	-	-	-	1,908,965
Capital Projects Fund	230,865 (2)	-	-	102,375 (8)	-	333,240
Automobile Parking	47,470 (4)	-	-	-	-	47,470
Total	<u>\$ 3,993,845</u>	<u>\$ 193,455</u>	<u>\$ 1,800,000</u>	<u>\$ 129,630</u>	<u>\$ 20,000</u>	<u>\$ 6,136,930</u>

The following describes the nature of significant transfers:

- (1) Transfers of discretionary funds to be used for the benefit of the community
- (2) Transfers for capital improvements.
- (3) Fee in lieu of taxes
- (4) Transfer for Baldwin House parking spaces
- (5) 25 percent transfer of gas and weight taxes as allowed by Act 51
- (6) Transfer for N. Old Woodward bridge replacement
- (7) To close the 425 Economic Development Fund and transfer remaining assets to the General Fund
- (8) Transfer required for advance refunding of 2002 Parks & Recreation Bond issue

Note 3 - Stewardship, Compliance, and Accountability

State Construction Code Act – The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

A summary of the cumulative surplus and activity for the year ended June 30, 2007 is as follows:

Surplus as of June 30, 2006		\$1,180,490
Building permit revenue		1,083,851
Related expenses:		
Direct costs	\$1,180,355	
Estimated indirect costs	<u>567,263</u>	
Total construction code expenses		<u>1,747,618</u>
Surplus as of June 30, 2007		<u>\$ 516,723</u>

The above surplus amount is related primarily to large commercial construction projects within the City. These projects have resulted in greater than usual building permit revenues. The surplus is therefore not expected to remain over future years and has been reserved in the General Fund.

Note 4 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool.

Note 4 - Deposits and Investments (Continued)

The Pension Trust Fund and the Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small business, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated two banks for the deposit of local unit funds. The investment policy adopted by the commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to three types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment policy restricts depository accounts to federally insured institutions located within the state of Michigan (consistent with state law). At year end, the City had \$1,086,918 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's general investment policy restricts the average maturity of investments to 2-1/2 years. The maximum maturities for investments are: U.S. Treasuries and agencies – five years, certificates of deposits – one year, commercial paper – 270 days, bankers' acceptances – 184 days, and repurchase agreements – 60 days. The City's pension and retiree healthcare investment policy restricts cash equivalents to a maturity of one year or less. At year end, the City's investments have the following range of maturity dates:

Note 4 - Deposits and Investments (Continued)

Investment Type	Fair Value	Maturity (Years)			
		< 1	1 - 5	6 - 10	> 10
U.S. Treasury:					
General investments	\$ 26,533,604	\$ 18,869,854	\$ 7,663,750	\$ -	\$ -
Retirement Fund	4,426,407	320,202	1,849,526	2,256,679	-
Retiree Health Care	417,884	-	97,695	320,189	-
U.S. agency:					
General investments	18,170,197	520,561	17,649,636	-	-
Retirement Fund	7,861,407	452,952	4,018,252	1,773,377	1,616,826
Retiree Health Care	907,545	24,867	614,000	42,998	225,680
Corporate bonds:					
Retirement Fund	11,951,218	1,163,770	3,324,984	3,044,084	4,418,380
Retiree Health Care	1,662,131	55,239	495,094	530,171	581,627

Credit Risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's general investment policy further limits investments to: commercial paper to the highest rating (A-1/P-1); bankers' acceptances whose long-term debt rating is at least an A; obligations of this state or its political subdivisions to the highest rating (A-1/P-1); pooled funds with a rating of at least an A. The City's retirement and retiree healthcare funds' investment policies require the bond portfolio to have at least 80 percent of its holdings in securities rated no less than an A. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment Type	Rating	Fair Value	Rating Agency
U.S. agency securities	Unrated	\$ 2,729,680	S&P
	AAA	24,157,410	
Corporate bonds	Unrated	1,650,844	S&P
	AAA	3,614,348	
	AA+	854,557	
	AA	1,346,001	
	AA-	2,658,560	
	A+	542,904	
	A	1,267,826	
	A-	296,841	
	BBB+	582,123	
	BBB	281,551	
	BBB-	517,794	

Note 4 - Deposits and Investments (Continued)

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Rating Agency</u>
Pooled funds	Unrated AAA	\$ 5,346,312 1,411,624	Fitch

Note 5 - Capital Assets

Capital asset activity of the primary government's governmental and business-type activities is as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 10,337,835	\$ -	\$ -	\$ 10,337,835
Construction in progress	<u>2,267,150</u>	<u>9,121,403</u>	<u>8,985,757</u>	<u>2,402,796</u>
Subtotal	12,604,985	9,121,403	8,985,757	12,740,631
Capital assets being depreciated:				
Roads and sidewalks	37,485,184	7,715,680	184,423	45,016,441
Buildings and improvements	23,100,433	78,111	-	23,178,544
Improvements other than buildings	5,368,311	1,317,201	-	6,685,512
Machinery and equipment	<u>10,276,145</u>	<u>955,492</u>	<u>357,666</u>	<u>10,873,971</u>
Subtotal	76,230,073	10,066,484	542,089	85,754,468
Accumulated depreciation:				
Roads and sidewalks	17,483,784	2,280,167	184,423	19,579,528
Buildings and improvements	3,248,970	162,011	-	3,410,981
Improvements other than buildings	104,951	242,503	-	347,454
Machinery and equipment	<u>7,383,618</u>	<u>816,887</u>	<u>317,041</u>	<u>7,883,464</u>
Subtotal	<u>28,221,323</u>	<u>3,501,568</u>	<u>501,464</u>	<u>31,221,427</u>
Net capital assets being depreciated	<u>48,008,750</u>	<u>6,564,916</u>	<u>40,625</u>	<u>54,533,041</u>
Net capital assets	<u>\$ 60,613,735</u>	<u>\$ 15,686,319</u>	<u>\$ 9,026,382</u>	<u>\$ 67,273,672</u>

Notes to Financial Statements
June 30, 2007

Note 5 - Capital Assets (Continued)

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 1,597,920	\$ -	\$ -	\$ 1,597,920
Construction in progress	1,745,884	2,283,487	1,728,368	2,301,003
Subtotal	3,343,804	2,283,487	1,728,368	3,898,923
Capital assets being depreciated:				
Water and sewer distribution systems	67,090,035	4,857,492	-	71,947,527
Land improvements and land	1,762,566	-	-	1,762,566
Building and building improvements	29,241,612	976,033	-	30,217,645
Machinery and equipment	2,330,617	182,729	7,166	2,506,180
Subtotal	100,424,830	6,016,254	7,166	106,433,918
Accumulated depreciation:				
Water and sewer distribution systems	12,326,672	1,665,900	-	13,992,572
Building and improvements	13,902,850	804,530	-	14,707,380
Machinery and equipment	1,789,755	151,562	7,166	1,934,151
Subtotal	28,019,277	2,621,992	7,166	30,634,103
Net capital assets being depreciated	72,405,553	3,394,262	-	75,799,815
Net capital assets	\$ 75,749,357	\$ 5,677,749	\$ 1,728,368	\$ 79,698,738

Capital asset activity for the City's component units was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Component Units				
Capital assets not being depreciated:				
Fine arts	\$ 95,500	\$ -	\$ -	\$ 95,500
Capital assets being depreciated:				
Equipment	2,150,197	90,475	225,676	2,014,996
Books, periodicals, etc.	8,055,355	394,537	60,283	8,389,609
Subtotal	10,205,552	485,012	285,959	10,404,605
Less accumulated depreciation	7,289,543	594,284	285,498	7,598,329
Net capital assets being depreciated	2,916,009	(109,272)	461	2,806,276
Net capital assets	\$ 3,011,509	\$ (109,272)	\$ 461	\$ 2,901,776

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 184,378
Public safety	141,541
Public works	2,277,693
Economic development	425
Recreation and culture	271,076
Internal Service Fund depreciation is charged to various function based on their usage of the asset	<u>626,455</u>
Total governmental activities	<u>\$ 3,501,568</u>
Business-type activities:	
Water and sewer	\$ 1,666,550
Automobile parking system	916,530
Golf courses	<u>38,912</u>
Total business-type activities	<u>\$ 2,621,992</u>

Construction Commitments – At year end, the City of Birmingham has active construction projects. The City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street/bridge projects	\$ 4,789,223	\$ 1,721,492
Parking deck improvements	490,370	517,220
Sidewalks	399,258	11,004
Park renovations	1,103,461	228,080
Sewer improvements	2,224,304	1,131,142
Water system improvements	2,219,831	487,592
Other	<u>40,324</u>	<u>93,296</u>
Total	<u>\$ 11,266,771</u>	<u>\$ 4,189,826</u>

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
2002 Parks and Recreation Bonds:							
Amount of issue - \$15,700,000	2.00% -	\$200,000 -					
Maturing through 2025	5.00%	\$1,300,000	\$ 15,000,000	\$ -	\$ (8,700,000)	\$ 6,300,000	\$ 400,000
2003 Refunding Bonds:							
Amount of issue - \$9,055,000	2.00% -	\$425,000 -					
Maturing through 2012	4.00%	\$1,500,000	4,380,000	-	(500,000)	3,880,000	525,000
2006 Refunding Bonds:							
Amount of issue - \$8,920,000	3.75% -	\$40,000 -					
Maturing through 2023	4.00%	\$1,285,000	-	8,920,000	-	8,920,000	40,000
Less deferred amount on refunding			-	(512,275)	-	(512,275)	(30,135)
Other long-term obligations:							
MDEQ Brownfield Redevelopment Loan	2.00%	\$27,398 -					
Amount of loan - \$300,000		\$32,743	300,000	-	-	300,000	-
Maturing through 2019							
Accumulated employee benefits			1,382,403	92,507	(194,449)	1,280,461	845,290
Total governmental activities			<u>\$ 21,062,403</u>	<u>\$ 8,500,232</u>	<u>\$ (9,394,449)</u>	<u>\$ 20,168,186</u>	<u>\$ 1,780,155</u>

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
2000 Sewer Improvement Bonds:							
Amount of issue - \$12,000,000	5.25% -	\$200,000 -					
Maturing through 2020	8.00%	\$1,200,000	\$ 1,525,000	\$ -	\$ (350,000)	\$ 1,175,000	\$ 400,000
2004 Refunding Bonds:							
Amount of issue - \$9,930,000	2.00% -	\$85,000 -					
Maturing through 2020	4.00%	\$1,155,000	9,845,000	-	(90,000)	9,755,000	90,000
2003 Refunding Bonds:							
Amount of issue - \$9,055,000	2.00% -	\$580,000 -					
Maturing through 2012	4.00%	\$1,500,000	1,725,000	-	(1,000,000)	725,000	725,000
C.S.O. Obligations:							
Amount of issue - \$22,706,977							
(Net of 1996 and 1999							
defeasance)	2.00% -	\$838,066 -					
Maturing through 2016	7.00%	\$1,694,906	15,788,460	-	(1,219,350)	14,569,110	1,253,337
George W. Kuhn Drain Bonds:							
Amount of issue - \$5,749,310	2.50% -	\$42,654 -					
Maturing through 2024	6.00%	\$349,529	5,146,463	76,778	(235,072)	4,988,169	241,233
North Arm Drain Bonds:							
Amount of issue - \$13,877,387	1.10% -	\$121,756 -					
Maturing through 2021	1.30%	\$174,693	<u>2,355,010</u>	<u>-</u>	<u>(133,642)</u>	<u>2,221,368</u>	<u>136,902</u>
Total bonds and other contractual obligations			36,384,933	76,778	(3,028,064)	33,433,647	2,846,472
Other long-term obligations -							
Accumulated employee benefits			<u>23,212</u>	<u>3,175</u>	<u>(1,165)</u>	<u>25,222</u>	<u>20,799</u>
Total business-type activities			<u>\$ 36,408,145</u>	<u>\$ 79,953</u>	<u>\$ (3,029,229)</u>	<u>\$ 33,458,869</u>	<u>\$ 2,867,271</u>

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 934,865	\$ 700,465	\$ 1,635,330	\$ 2,846,472	\$ 1,184,016	\$ 4,030,488
2009	994,865	665,271	1,660,136	2,174,761	1,090,460	3,265,221
2010	1,147,608	626,234	1,773,842	2,339,883	1,004,979	3,344,862
2011	1,242,263	591,391	1,833,654	2,434,989	918,637	3,353,626
2012	1,372,811	548,574	1,921,385	2,603,305	828,420	3,431,725
2013-2026	<u>13,195,313</u>	<u>3,320,578</u>	<u>16,515,891</u>	<u>21,034,237</u>	<u>3,211,528</u>	<u>24,245,765</u>
Total	<u>\$ 18,887,725</u>	<u>\$ 6,452,513</u>	<u>\$ 25,340,238</u>	<u>\$ 33,433,647</u>	<u>\$ 8,238,040</u>	<u>\$ 41,671,687</u>

Defeased Debt

During the current year, the City defeased bonds by using new bonds in the amount of \$8,920,000 with an average interest rate of 3.9 percent. The proceeds were used to advance refund \$8,300,000 of outstanding debt of the 2002 Parks and Recreation Bond Issue. These new bonds were issued at a discount of \$38,652. In addition, there was \$102,375 of the City's Debt Service Funds that were used to fund this new issuance. The net proceeds of \$8,842,409 (after payment of approximately \$141,000 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed. The advance funding reduced total debt service payments over the next 17 years by \$483,278, which represents an economic gain of \$264,286.

Component Units – Long-term debt of the component units consists of an accrual for compensated absences.

Note 7 - Restricted Assets

The balance of the restricted assets in the governmental funds is approximately \$747,300, which represents unspent bond proceeds that are restricted for park improvement projects.

The balance of the restricted assets in the Internal Service Funds is approximately \$292,300, which represents health reimbursement accounts (HRAs) for full-time employees. Employees participating in the City's health insurance coverage can use these accounts to reimburse themselves for their out-of-pocket deductible and co-insurance payments. If an employee terminates employment before retirement, any unused funds are returned to the City.

Note 8 - Designated Fund Balance

Fund balances have been designated as follows:

General Fund - Lincoln Hills clubhouse renovation	\$ 500,000
Capital Projects Fund:	
Woodward median	63,366
Downtown 2016 plan	622,947
Police pistol range addition	194,992
Downtown streetscape	146,117
Downtown streetlights	40,733
City hall and grounds	42,752
Chester street structure	65,100
Library HVAC	50,000
City hall renovation	27,585
Planning department renovation	20,000
Fire station training tower	11,346
DPS facility renovation	6,648
Bus shelters	15,269
Park improvements	102,342
Ice arena renovation	<u>68,256</u>
Total Capital Projects Fund	<u>\$ 1,477,453</u>

Note 9 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Monies received for subsequent year's operations	\$ -	\$ 65,610
Parking tickets and charges for services	165,466	
Special assessments and delinquent property taxes	<u>785,181</u>	<u>-</u>
Total deferred revenue	<u>\$ 950,647</u>	<u>\$ 65,610</u>

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City is insured under the Michigan Municipal League for workers' compensation claims, general liability, and property loss and is self-insured for other employee and retiree health and dental claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for general liability and employee and retiree health and dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Risk Management Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2007</u>	<u>2006</u>
Unpaid claims – Beginning of year	\$ 189,607	\$ 237,067
Incurred claims – Including claims incurred but not reported	2,156,859	1,832,522
Claim payments	<u>(1,955,078)</u>	<u>(1,879,982)</u>
Unpaid claims – End of year	<u>\$ 391,388</u>	<u>\$ 189,607</u>

Note 11 - Pension Plans

Defined Benefit Plan

Plan Description – The City of Birmingham Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Birmingham Employees' Retirement System Pension Board. This plan covers all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the City of Birmingham, 151 Martin St., P.O. Box 3001, Birmingham, MI 48009.

Funding Policy – The City Commission is responsible for establishing and amending plan provisions, pursuant to negotiation with the City's competitive bargaining units.

Currently, a contribution from the employees of 3 percent to 4 percent of their covered salary is required. The funding policy provides for periodic employer contributions at actuarially determined rates. Employer and employee contributions were required for the year ended June 30, 2007.

Annual Pension Cost

The annual required contribution was determined as part of an actuarial valuation at June 30, 2004, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7 percent investment rate of return, (b) projected salary increases of 4 percent per year, (c) additional projected salary increases ranging from 0.0 percent to 3.8 percent per year depending on age, attributable to seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The overfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 15 years.

Reserves

As of June 30, 2007, the plan's legally required reserves has been fully funded as follows:

Reserve for employees' contributions	\$ 7,971,879
Reserve for retired benefit payments	42,436,045
Reserve for deferred retirement option plan benefit payments	1,641,748

Note 11 - Pension Plans (Continued)

Three-year trend information as of June 30 is as follows:

	<u>Fiscal Year Ended June 30</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Employees' Retirement System:			
Annual pension costs (APC)	\$ -	\$ 28,248	\$ 318,206
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Defined Contribution Plan

Plan Description and Funding Requirements – During the fiscal year, the City established a 401(a) defined contribution plan for department heads, non-union and library employees hired on or after January 1, 2007. Library employees hired before January 1, 2007 can also enroll in this plan if they opt out of the defined benefit retirement plan. For department heads and non-union employees, the plan calls for an employer contribution not to exceed 5 percent and a mandatory employee contribution of 3 percent of the employee's compensation. For library employees, the plan calls for an employer contribution not to exceed 6.0 percent and a mandatory employee contribution of 3 percent of the library employees' compensation. Department heads and non-union employees are fully vested in employer contributions after five years of service. Library employees are fully vested in the employer contributions after three years of service.

At June 30, 2007, there were two employees enrolled in the department head and non-union employee defined contribution plan. The employees contributed \$731 and the City contributed \$1,219. There were no employees enrolled in the library defined contribution plan at June 30, 2007.

Note 12 - Postemployment Benefits

Defined Benefit Retirement Health Care Plan

In addition to providing pension benefits, the City provides health care benefits to certain full-time employees, based on age and years of service, upon retirement in accordance with labor contracts. Currently, 140 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with some contributions required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums and claim administrator reimbursements become due. During the year, this amounted to approximately \$1,467,000.

Note 12 - Postemployment Benefits (Continued)

The City has continued the practice of prefunding for the liability for postemployment benefits related to employees covered under the City of Birmingham Employees' Retirement System, based on an actuarial valuation performed for the year ended June 30, 2005. Significant actuarial assumptions used in determining the health care obligation for the Employees' Retirement System include a rate of return on investments of present and future assets of 7.0 percent per year compounded annually and a long-term average assumed rate of premium increases of 10 percent per year. The accrued unfunded liability for health care as of the most recent actuarial valuation which was June 30, 2006 is approximately \$31,750,000. The employer contributions determined by the actuary of 17 percent of projected payroll is deemed by the actuary to be sufficient to sustain the fund for a period of 30 years.

The net assets available for retirees at June 30, 2007 total \$13,649,834. The healthcare benefit activity related to covered employees is recorded in the Retiree Health Care Fund. Employer contributions made to this fund of \$1,834,392 approximated the actuarially determined required contribution.

Defined Contribution Retirement Health Care Plan

The City established a retirement health savings plan for its non-union employees hired on or after July 1, 2006. Participation in this plan is optional. Also, non-union employees hired before July 1, 2006 may opt out of the defined benefit retirement healthcare plan and enroll in this plan. Employees must complete six months of service to become eligible. Employees are required to contribute 2% of their compensation to the plan. The City is required to contribute \$50 per pay period to the plan. At June 30, 2007, two employees were enrolled in the plan. Their contributions totaled \$488 and the City's contribution totaled \$600.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 13 - Joint Ventures

Birmingham Area Cablecasting Board

The City is a member of the Birmingham Area Cablecasting Board, which provides cable program coordinating services to the residents of Birmingham, Beverly Hills, and Franklin Village. The City receives quarterly checks from Comcast, which consist of revenue related to franchise and use fees. The City then distributes a fixed percentage of the amounts received to the Village of Beverly Hills for administrative services. The City is unaware of any additional benefit or detriment upon dissolution of this joint venture. The City's equity interest in the joint venture is insignificant. Complete financial statements for the Birmingham Area Cablecasting Board can be obtained from the administrative offices at 30400 Telegraph Road, Suite 328, Birmingham, MI 48010.

Southeastern Oakland County Sewage Disposal System

The City is a member of the Southeastern Oakland County Sewage Disposal System, which consists of 13 municipalities in Oakland County and provides sewage disposal services for the benefit of member municipalities. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2007, the City expensed approximately \$1,143,000 of payments made to the Authority. The City has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Sewage Disposal System's operations are financially independent of the City. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Sewage Disposal System can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

Note 13 - Joint Ventures (Continued)

Southeastern Oakland County Water Authority

The City is a member of the Southeastern Oakland County Water Authority, which provides a water supply system serving 11 member municipalities in Oakland County. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2007, the City expensed approximately \$1,421,500 of payments made to the Authority. The City has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Water Authority's operations are financially independent of the City. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The Southeastern Oakland County Water Authority has two debt issuances totaling approximately \$8,550,000, of which the City has guaranteed approximately \$535,070 at June 30, 2007. Complete financial statements for the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

Southeastern Oakland County Resource Recovery Authority

The City is a member of the Southeastern Oakland County Resource Recovery Authority, which consists of 14 municipalities in Oakland County and provides refuse disposal services for the benefit of member municipalities. The City appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2007, the City expensed approximately \$481,600 of payments to the Authority. The City has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Resource Recovery Authority's operations are financially independent of the City. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

Note 13 - Joint Ventures (Continued)

48th Judicial District Court

The City is a participant with Bloomfield Township, the Charter Township of West Bloomfield, and the City of Bloomfield Hills in the operations of the 48th Judicial District Court (the "Court"). The City advances its allocated share of Court expenditures and receives a share of the Court revenue based on relative caseload levels. The City's share of Court expenditures amounted to \$827,194 and its share of Court revenue amounted to \$992,319 for the Court's year ended December 31, 2006. Complete audited financial statements for the Court can be obtained from the Court's administrative offices at 4280 Telegraph Road in Bloomfield Township. The City's equity interest at June 30, 2007 is \$105,273.

Required Supplemental Information

City of Birmingham, Michigan

Required Supplemental Information Budgetary Comparison Schedule – General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Property taxes	\$ 18,968,710	\$ 18,968,710	\$ 19,057,117	\$ 88,407
Licenses and permits	1,910,730	1,910,730	1,471,868	(438,862)
Intergovernmental revenue	1,767,540	1,767,540	1,920,352	152,812
Charges for services	2,281,290	2,281,290	2,729,018	447,728
Fines and forfeitures	1,629,500	1,629,500	1,422,209	(207,291)
Interest and rent	585,980	585,980	877,014	291,034
Other	73,900	73,900	97,138	23,238
Transfers from other funds	20,000	49,654	47,255	(2,399)
Total revenue	27,237,650	27,267,304	27,621,971	354,667
Expenditures				
General government	5,885,250	5,868,602	5,367,207	501,395
Public safety	10,698,180	10,760,554	10,525,657	234,897
Community development	1,873,720	1,983,593	1,861,088	122,505
Engineering and public services	3,663,800	3,812,951	3,290,440	522,511
Contingency	192,290	172,575	-	172,575
Transfers to other funds	4,924,410	4,933,875	4,762,467	171,408
Total expenditures	27,237,650	27,532,150	25,806,859	1,725,291
Excess of Revenue Over (Under) Expenditures	-	(264,846)	1,815,112	2,079,958
Fund Balances - Beginning of year	8,848,633	8,848,633	8,848,633	-
Fund Balances - End of year	<u>\$ 8,848,633</u>	<u>\$ 8,583,787</u>	<u>\$ 10,663,745</u>	<u>\$ 2,079,958</u>

City of Birmingham, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Special assessments	\$ 38,050	\$ 32,050	\$ 38,444	\$ 6,394
Intergovernmental revenue	815,000	819,702	810,606	(9,096)
Other revenue	-	-	50,001	50,001
Interest and rent	111,480	187,480	212,542	25,062
Transfers from other funds	<u>2,000,000</u>	<u>3,800,000</u>	<u>3,800,000</u>	<u>-</u>
Total revenue	2,964,530	4,839,232	4,911,593	72,361
Expenditures				
Maintenance of streets and bridges	868,470	3,568,726	2,360,861	1,207,865
Street cleaning	204,070	204,070	167,018	37,052
Street trees	297,150	307,150	258,123	49,027
Traffic controls and engineering	518,660	618,660	402,507	216,153
Snow and ice removal	247,010	247,010	141,569	105,441
Administrative	14,800	14,800	14,907	(107)
Transfers to other funds	197,050	197,050	193,455	3,595
Capital outlay - Engineering and construction of roads and bridges	<u>695,080</u>	<u>1,505,090</u>	<u>480,129</u>	<u>1,024,961</u>
Total expenditures	<u>3,042,290</u>	<u>6,662,556</u>	<u>4,018,569</u>	<u>2,643,987</u>
Excess of Revenue Over (Under) Expenditures	(77,760)	(1,823,324)	893,024	2,716,348
Fund Balances - Beginning of year	<u>2,688,704</u>	<u>2,688,704</u>	<u>2,688,704</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 2,610,944</u>	<u>\$ 865,380</u>	<u>\$ 3,581,728</u>	<u>\$ 2,716,348</u>

City of Birmingham, Michigan

Required Supplemental Information Budgetary Comparison Schedule – Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Special assessments	\$ 131,350	\$ 146,350	\$ 201,390	\$ 55,040
Intergovernmental revenue	344,900	344,900	349,926	5,026
Interest and rent	59,130	119,130	137,916	18,786
Transfers from other funds	<u>1,912,560</u>	<u>1,912,560</u>	<u>1,908,965</u>	<u>(3,595)</u>
Total revenue	2,447,940	2,522,940	2,598,197	75,257
Expenditures				
Maintenance of streets and bridges	333,440	290,855	262,328	28,527
Street cleaning	183,540	198,540	205,169	(6,629)
Street trees	616,180	678,416	738,693	(60,277)
Traffic controls and engineering	86,830	86,830	77,387	9,443
Snow and ice removal	131,350	131,350	84,638	46,712
Administrative	24,170	24,170	24,277	(107)
Capital outlay - Engineering and construction of roads and bridges	<u>1,456,880</u>	<u>1,606,425</u>	<u>494,969</u>	<u>1,111,456</u>
Total expenditures	<u>2,832,390</u>	<u>3,016,586</u>	<u>1,887,461</u>	<u>1,129,125</u>
Excess of Revenue Over (Under) Expenditures	(384,450)	(493,646)	710,736	1,204,382
Fund Balances - Beginning of year	<u>1,600,991</u>	<u>1,600,991</u>	<u>1,600,991</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 1,216,541</u>	<u>\$ 1,107,345</u>	<u>\$ 2,311,727</u>	<u>\$ 1,204,382</u>

City of Birmingham, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2007

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded AAL (UAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Overfunded AAL as a Percentage of Covered Payroll
6/30/01	\$ 97,938,389	\$ 56,216,921	\$ 41,721,468	174.2	\$ 9,741,497	428.3
6/30/02	89,780,104	64,898,186	24,881,918	138.3	10,877,102	228.8
6/30/03	89,339,691	68,301,496	21,038,195	130.8	10,975,158	191.7
6/30/04	89,606,401	74,106,298	15,500,103	120.9	11,553,759	134.2
6/30/05	89,847,749	80,909,787	8,937,962	111.0	12,007,486	74.4
6/30/06	93,194,651	85,554,832	7,639,819	108.9	11,761,335	65.0
6/30/07	*	*	*	*	*	*

* Information not available

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/01	6/30/98	-	100.0
6/30/02	6/30/99	-	100.0
6/30/03	6/30/00	-	100.0
6/30/04	6/30/01	-	100.0
6/30/05	6/30/02	-	100.0
6/30/06	6/30/03	0.41%	100.0
6/30/07	6/30/04	2.84%	100.0

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated.
Additional information as of June 30, 2006, the latest actuarial valuation date, follows:

Employees' Retirement System

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	15 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases:	
General	4.0% - 7.8%
Police and fire	4.0% - 7.0%
Assumed rate of payroll growth	4.0%
Cost of living adjustments	None

Note to Required Supplemental Information
June 30, 2007

Note - Compliance and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, except that fund balance appropriations and transfers are budgeted as either revenue or expenditures to balance the budget. All annual appropriations lapse at fiscal year end.

The annual budget is prepared by the city management and adopted by the city commission. The City adopts its General Fund budget and Special Revenue Fund budget by budgetary center (major activity or function), and by fund type for Debt Service Funds. This is in accordance with the State's legal requirement and is the level of classification detail at which, by law, expenditures may not exceed appropriations. The following process is required to amend the City's budget:

- a) The city manager is authorized to transfer budgeted amounts within budgetary centers. This is accomplished by the use of an internal budget adjustment form, initialed and approved by the requesting department head, reviewed and approved by the finance director, and then approved by the city manager. Any revisions that alter the total expenditures of any budgetary center must be approved by the City Commission.
- b) At any meeting after the passage of the appropriation resolution, the city commission may amend such resolution so as to authorize the transfer of unused balances appropriated for one purpose to another purpose. A formal budget amendment request is prepared by the finance director and submitted to the city manager for approval, prior to submission to the city commission.

Budgeted amounts of the revenues and expenditures presented for the General, Special Revenue, Debt Service, and Capital Projects Funds are reported as originally adopted or as amended by the city commission. Individual amendments were not material in relation to the original appropriations that were adopted.

Note to Required Supplemental Information
June 30, 2007

Note - Compliance and Accountability

Unexpended appropriations lapse at year end except for those approved for carryforward by the City Commission. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary procedures. Material encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

Excess of Expenditures Over Appropriations in Budgeted Funds – The City did not have significant expenditure budget variances during the year.

Other Supplemental Information

City of Birmingham, Michigan

	Nonmajor Special Revenue Funds		
	Solid Waste Disposal	Community Development Block Grant	Law and Drug Forfeitures
Assets			
Cash and investments	\$ 1,186,780	\$ -	\$ 219,476
Receivables - Net - Customers	217	-	-
Due from other governmental units	-	23,095	-
Total assets	\$ 1,186,997	\$ 23,095	\$ 219,476
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 125,507	\$ 23,095	\$ -
Accrued and other liabilities	11,300	-	-
Deferred revenue	217	-	-
Total liabilities	137,024	23,095	-
Fund Balances			
Reserved for:			
Encumbrances	5,995	-	79,988
Law and drug enforcement programs	-	-	139,488
Solid waste	1,043,978	-	-
Debt service	-	-	-
Total fund balances	1,049,973	-	219,476
Total liabilities and fund balances	\$ 1,186,997	\$ 23,095	\$ 219,476

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Nonmajor Debt Service Funds	2002 Parks and Recreation	Total Nonmajor Governmental Funds
2003 Refunding		
\$ 95,278	\$ 12,149	\$ 1,513,683
-	-	217
<u>-</u>	<u>-</u>	<u>23,095</u>
<u>\$ 95,278</u>	<u>\$ 12,149</u>	<u>\$ 1,536,995</u>
\$ -	\$ -	\$ 148,602
-	-	11,300
<u>-</u>	<u>-</u>	<u>217</u>
-	-	160,119
-	-	85,983
-	-	139,488
-	-	1,043,978
<u>95,278</u>	<u>12,149</u>	<u>107,427</u>
<u>95,278</u>	<u>12,149</u>	<u>1,376,876</u>
<u>\$ 95,278</u>	<u>\$ 12,149</u>	<u>\$ 1,536,995</u>

City of Birmingham, Michigan

	Nonmajor Special Revenue Funds			
	Solid Waste Disposal	Community Development Block Grant	Law and Drug Forfeitures	425 Economic Development
Revenues				
Property taxes	\$ 1,592,056	\$ -	\$ -	\$ 8,885
Federal grants	-	34,814	145,453	-
Charges for services	33,188	-	-	-
Use of money and property	83,638	-	10,440	1,755
Total revenues	1,708,882	34,814	155,893	10,640
Expenditures				
Current:				
Public safety	-	-	76,518	-
Solid waste	1,588,623	-	-	-
Community development	-	34,814	-	13,039
Debt service	-	-	-	-
Total expenditures	1,588,623	34,814	76,518	13,039
Excess of Revenues Over (Under) Expenditures	120,259	-	79,375	(2,399)
Other Financing Uses -				
Transfers out	-	-	-	(27,255)
Net Change in Fund Balance	120,259	-	79,375	(29,654)
Fund Balances - Beginning of year	929,714	-	140,101	29,654
Fund Balances - End of year	\$ 1,049,973	\$ -	\$ 219,476	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

<u>Nonmajor Debt Service Funds</u>	<u>2002 Parks and Recreation</u>	<u>Total Nonmajor Governmental Funds</u>
<u>2003 Refunding</u>		
\$ 635,072	\$ 1,044,421	\$ 3,280,434
-	-	180,267
-	-	33,188
<u>5,615</u>	<u>6,954</u>	<u>108,402</u>
640,687	1,051,375	3,602,291
-	-	76,518
-	-	1,588,623
-	-	47,853
<u>643,775</u>	<u>940,590</u>	<u>1,584,365</u>
<u>643,775</u>	<u>940,590</u>	<u>3,297,359</u>
(3,088)	110,785	304,932
<u>-</u>	<u>(102,375)</u>	<u>(129,630)</u>
(3,088)	8,410	175,302
<u>98,366</u>	<u>3,739</u>	<u>1,201,574</u>
<u>\$ 95,278</u>	<u>\$ 12,149</u>	<u>\$ 1,376,876</u>

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Schedule Capital Projects Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Special assessments	\$ 26,270	\$ 26,270	\$ 9,005	\$ (17,265)
Interest and rent	291,180	179,180	181,870	2,690
Other revenue	37,500	8,918,850	8,951,716	32,866
Transfers from other funds	221,400	335,865	333,240	(2,625)
Total revenue	576,350	9,460,165	9,475,831	15,666
Expenditures	1,551,150	13,271,845	12,217,635	1,054,210
Excess of Expenditures Over Revenue	(974,800)	(3,811,680)	(2,741,804)	1,069,876
Fund Balances - Beginning of year	5,781,705	5,781,705	5,781,705	-
Fund Balances - End of year	<u>\$ 4,806,905</u>	<u>\$ 1,970,025</u>	<u>\$ 3,039,901</u>	<u>\$ 1,069,876</u>

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Nonmajor Governmental Funds Year Ended June 30, 2007

Special Revenue Fund - Solid Waste

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Taxes	\$ 1,598,300	\$ 1,598,300	\$ 1,592,056	\$ (6,244)
Charges for services	37,450	37,450	32,685	(4,765)
Interest	57,970	57,970	83,638	25,668
Other	-	-	503	503
Total revenue	1,693,720	1,693,720	1,708,882	15,162
Expenditures				
Refuse pickup	883,560	883,560	827,946	55,614
Incinerator	539,500	539,500	465,230	74,270
Equipment rental	87,000	87,000	106,393	(19,393)
Salaries	141,510	141,860	140,056	1,804
Miscellaneous	42,150	56,050	48,998	7,052
Total expenditures	1,693,720	1,707,970	1,588,623	119,347
Excess of Revenue Over (Under) Expenditures	-	(14,250)	120,259	134,509
Fund Balances - Beginning of year	929,714	929,714	929,714	-
Fund Balances - End of year	<u>\$ 929,714</u>	<u>\$ 915,464</u>	<u>\$ 1,049,973</u>	<u>\$ 134,509</u>

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Nonmajor Governmental Funds Year Ended June 30, 2007

Special Revenue Fund - Community Development Block Grant

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue - Intergovernmental	\$ 35,950	\$ 55,130	\$ 34,814	\$ (20,316)
Expenditures - Community development	<u>35,950</u>	<u>55,130</u>	<u>34,814</u>	<u>20,316</u>
Excess of Revenue Over Expenditures	-	-	-	-
Fund Balances - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Nonmajor Governmental Funds Year Ended June 30, 2007

Special Revenue Fund - Law and Drug Forfeiture Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Fines and forfeitures	\$ 75,000	\$ 130,000	\$ 145,453	\$ 15,453
Interest and other	<u>4,820</u>	<u>4,820</u>	<u>10,440</u>	<u>5,620</u>
Total revenue	79,820	134,820	155,893	21,073
Expenditures				
Public safety	6,000	6,000	-	6,000
Capital outlay	<u>103,500</u>	<u>158,500</u>	<u>76,518</u>	<u>81,982</u>
Total expenditures	<u>109,500</u>	<u>164,500</u>	<u>76,518</u>	<u>87,982</u>
Excess of Revenue Over (Under) Expenditures	(29,680)	(29,680)	79,375	109,055
Fund Balances - Beginning of year	<u>140,101</u>	<u>140,101</u>	<u>140,101</u>	<u>-</u>
Fund Balances - End of year	<u><u>\$ 110,421</u></u>	<u><u>\$ 110,421</u></u>	<u><u>\$ 219,476</u></u>	<u><u>\$ 109,055</u></u>

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Nonmajor Governmental Funds Year Ended June 30, 2007

Special Revenue Fund - 425 Economic Development Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Taxes	\$ 8,690	\$ 8,890	\$ 8,885	\$ (5)
Interest and other	780	1,800	1,755	(45)
Total revenue	9,470	10,690	10,640	(50)
Expenditures	-	41,304	40,294	1,010
Excess of Revenue Over (Under) Expenditures	9,470	(30,614)	(29,654)	960
Fund Balances - Beginning of year	29,654	29,654	29,654	-
Fund Balances - End of year	<u>\$ 39,124</u>	<u>\$ (960)</u>	<u>\$ -</u>	<u>\$ 960</u>

City of Birmingham, Michigan

Other Supplemental Information Budgetary Comparison Schedule (Continued) Nonmajor Governmental Funds Year Ended June 30, 2007

Debt Service Funds

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Taxes	\$ 1,685,710	\$ 1,685,710	\$ 1,679,493	\$ (6,217)
Interest and other	<u>13,610</u>	<u>13,610</u>	<u>12,569</u>	<u>(1,041)</u>
Total revenue	1,699,320	1,699,320	1,692,062	(7,258)
Expenditures	<u>1,692,000</u>	<u>1,692,000</u>	<u>1,686,740</u>	<u>5,260</u>
Excess of Revenue Over Expenditures	7,320	7,320	5,322	(1,998)
Fund Balances - Beginning of year	<u>102,105</u>	<u>102,105</u>	<u>102,105</u>	<u>-</u>
Fund Balances - End of year	<u><u>\$ 109,425</u></u>	<u><u>\$ 109,425</u></u>	<u><u>\$ 107,427</u></u>	<u><u>\$ (1,998)</u></u>

Other Supplemental Information
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Equipment	Personal Services	Risk Management	Total
Assets				
Current assets:				
Cash and investments	\$ 5,801,461	\$ 692,446	\$ 4,332,290	\$ 10,826,197
Receivables	925	-	1,741	2,666
Inventory	68	-	-	68
Total current assets	5,802,454	692,446	4,334,031	10,828,931
Noncurrent assets:				
Prepaid costs and other assets	495	-	325,323	325,818
Restricted assets	-	-	292,300	292,300
Capital assets	2,427,344	-	-	2,427,344
Total noncurrent assets	2,427,839	-	617,623	3,045,462
Total assets	8,230,293	692,446	4,951,654	13,874,393
Liabilities				
Current liabilities:				
Accounts payable	223,671	-	277,064	500,735
Accrued liabilities	40,554	-	125,000	165,554
Provision for uninsured losses and liabilities	-	-	266,388	266,388
Current portion of long-term debt and compensated absences	25,210	-	-	25,210
Total current liabilities	289,435	-	668,452	957,887
Noncurrent liabilities - Provision for compensated absences	29,845	284,797	-	314,642
Total liabilities	319,280	284,797	668,452	1,272,529
Net Assets				
Investment in capital assets - Net of related debt	2,427,344	-	-	2,427,344
Restricted	-	-	292,300	292,300
Unrestricted	5,483,669	407,649	3,990,902	9,882,220
Total net assets	<u>\$ 7,911,013</u>	<u>\$ 407,649</u>	<u>\$ 4,283,202</u>	<u>\$ 12,601,864</u>

Other Supplemental Information
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service Funds
Year Ended June 30, 2007

	Equipment	Personal Services	Risk Management	Total
Operating Revenues - Charges to other funds	\$ 2,151,219	\$ -	\$ 3,513,663	\$ 5,664,882
Operating Expenses				
General and administrative	-	(5,957)	3,026,165	3,020,208
Supplies and other operating expenses	1,655,866	-	-	1,655,866
Depreciation	<u>626,455</u>	<u>-</u>	<u>-</u>	<u>626,455</u>
Total operating expenses	<u>2,282,321</u>	<u>(5,957)</u>	<u>3,026,165</u>	<u>5,302,529</u>
Operating Income (Loss)	(131,102)	5,957	487,498	362,353
Nonoperating Income				
Interest earned	295,066	36,148	181,152	512,366
Loss on sale of capital assets	<u>19,652</u>	<u>-</u>	<u>-</u>	<u>19,652</u>
Net nonoperating income	<u>314,718</u>	<u>36,148</u>	<u>181,152</u>	<u>532,018</u>
Income - Before contributions	183,616	42,105	668,650	894,371
Capital Contributions	<u>29,589</u>	<u>-</u>	<u>-</u>	<u>29,589</u>
Changes in Net Assets	213,205	42,105	668,650	923,960
Net Assets - Beginning of year	<u>7,697,808</u>	<u>365,544</u>	<u>3,614,552</u>	<u>11,677,904</u>
Net Assets - End of year	<u>\$ 7,911,013</u>	<u>\$ 407,649</u>	<u>\$ 4,283,202</u>	<u>\$ 12,601,864</u>

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007

	Equipment	Personal Services	Risk Management	Total
Cash Flows from Operating Activities				
Receipts from customers and others	\$ 2,151,220	\$ -	\$ 3,514,006	\$ 5,665,226
Payments to suppliers	(751,050)	-	(2,542,330)	(3,293,380)
Payments to employees	(719,840)	(27,179)	-	(747,019)
Net cash provided by (used in) operating activities	680,330	(27,179)	971,676	1,624,827
Cash Flows from Capital and Related Financing Activities				
Contributed capital	29,589	-	-	29,589
Purchase of capital assets	(733,754)	-	-	(733,754)
Proceeds from sale of capital assets	60,276	-	-	60,276
Net cash used in capital and related financing activities	(643,889)	-	-	(643,889)
Cash Flows from Investing Activities - Interest received on investments	295,066	36,149	181,152	512,367
Net Increase in Cash and Cash Equivalents	331,507	8,970	1,152,828	1,493,305
Cash and Cash Equivalents - Beginning of year	5,469,954	683,476	3,471,762	9,625,192
Cash and Cash Equivalents - End of year	<u>\$ 5,801,461</u>	<u>\$ 692,446</u>	<u>\$ 4,624,590</u>	<u>\$ 11,118,497</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 5,801,461	\$ 692,446	\$ 4,332,290	\$ 10,826,197
Restricted investments	-	-	292,300	292,300
Total cash and cash equivalents	<u>\$ 5,801,461</u>	<u>\$ 692,446</u>	<u>\$ 4,624,590</u>	<u>\$ 11,118,497</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (131,102)	\$ 5,957	\$ 487,498	\$ 362,353
Adjustment to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	626,456	-	-	626,456
Changes in assets and liabilities:				
Receivables	-	-	343	343
Other assets	(300)	-	11,740	11,440
Accounts payable	176,320	-	270,314	446,634
Accrued and other liabilities	8,956	(33,136)	201,781	177,601
Net cash provided by (used in) operating activities	<u>\$ 680,330</u>	<u>\$ (27,179)</u>	<u>\$ 971,676</u>	<u>\$ 1,624,827</u>

Noncash Investing, Capital, and Related Financing Activities - During the year, the General Fund paid \$29,589 for equipment and contributed it to the Equipment Fund.

Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2007

	Pension Trust Fund	Retiree Health Care	Total
Assets			
Cash and investments	\$ 1,466,135	\$ 434,013	\$ 1,900,148
Investments			
U.S. government securities	12,287,815	1,325,428	13,613,243
Stocks	78,987,442	10,297,431	89,284,873
Bonds	11,951,218	1,662,132	13,613,350
Receivables - Accrued interest	358,667	47,264	405,931
Other assets	<u>337,532</u>	<u>29,582</u>	<u>367,114</u>
Total assets	105,388,809	13,795,850	119,184,659
Liabilities			
Accounts payable	-	12,398	12,398
Accrued and other liabilities	<u>-</u>	<u>133,618</u>	<u>133,618</u>
Total liabilities	<u>-</u>	<u>146,016</u>	<u>146,016</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 105,388,809</u>	<u>\$ 13,649,834</u>	<u>\$ 119,038,643</u>

Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds
Year Ended June 30, 2007

	Pension Trust Fund	Retiree Health Care	Total
Additions			
Investment income:			
Interest and dividends	\$ 3,074,779	\$ 405,613	\$ 3,480,392
Net increase in fair value of investments	10,992,977	1,381,021	12,373,998
Investment expenses	<u>(456,265)</u>	<u>(65,272)</u>	<u>(521,537)</u>
Total investment income	13,611,491	1,721,362	15,332,853
Contributions - Employees and employer	822,806	2,094,130	2,916,936
Other revenue	<u>57,702</u>	<u>4,723</u>	<u>62,425</u>
Total additions - Net of investment income	14,491,999	3,820,215	18,312,214
Deductions			
Benefit payments	3,261,461	1,467,327	4,728,788
Refunds of contributions	750,436	7,232	757,668
Administrative expenses	<u>170,931</u>	<u>15,368</u>	<u>186,299</u>
Total deductions	<u>4,182,828</u>	<u>1,489,927</u>	<u>5,672,755</u>
Net Increase in Net Assets Held in Trust for Pension Benefits	10,309,171	2,330,288	12,639,459
Net Assets Held in Trust for Pension Benefits			
Beginning of year	<u>95,079,638</u>	<u>11,319,546</u>	<u>106,399,184</u>
End of year	<u>\$ 105,388,809</u>	<u>\$ 13,649,834</u>	<u>\$ 119,038,643</u>

Other Supplemental Information
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash and investments	\$ 1,711,594	\$ 92,833,333	\$ 92,690,692	\$ 1,854,235
Receivables - Accrued interest	<u>4,100</u>	<u>46,512</u>	<u>46,512</u>	<u>4,100</u>
Total assets	<u>\$ 1,715,694</u>	<u>\$ 92,879,845</u>	<u>\$ 92,737,204</u>	<u>\$ 1,858,335</u>
Liabilities				
Accounts payable	\$ 47,560	\$ 2,380,136	\$ 2,312,807	\$ 114,889
Accrued liabilities and deposits	<u>1,668,134</u>	<u>150,612,998</u>	<u>150,537,686</u>	<u>1,743,446</u>
Total liabilities	<u>\$ 1,715,694</u>	<u>\$ 152,993,134</u>	<u>\$ 152,850,493</u>	<u>\$ 1,858,335</u>

Statistical Section

Statistical Section

This part of the City of Birmingham's Comprehensive Annual Financial Report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	78-87
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	88-95
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	96-103
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time with other governments.	104-108
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	109-114

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Birmingham, Michigan

Schedule 1

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 34,770,767	\$ 38,281,985	\$ 39,180,462	\$ 41,143,612
Restricted	5,472,159	4,998,609	8,762,794	6,882,174
Unrestricted	15,893,998	17,538,349	18,068,788	22,689,042
Total governmental activities net assets	<u><u>\$ 56,136,924</u></u>	<u><u>\$ 60,818,943</u></u>	<u><u>\$ 66,012,044</u></u>	<u><u>\$ 70,714,828</u></u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 28,526,058	\$ 30,993,052	\$ 35,692,345	\$ 39,364,423
Restricted	-	-	-	-
Unrestricted	19,797,834	19,222,129	17,948,733	17,954,913
Total business-type activities net assets	<u><u>\$ 48,323,892</u></u>	<u><u>\$ 50,215,181</u></u>	<u><u>\$ 53,641,078</u></u>	<u><u>\$ 57,319,336</u></u>
Primary government:				
Invested in capital assets, net of related debt	\$ 63,296,825	\$ 69,275,037	\$ 74,872,807	\$ 80,508,035
Restricted	5,472,159	4,998,609	8,762,794	6,882,174
Unrestricted	35,691,832	36,760,478	36,017,521	40,643,955
Total primary government net assets	<u><u>\$ 104,460,816</u></u>	<u><u>\$ 111,034,124</u></u>	<u><u>\$ 119,653,122</u></u>	<u><u>\$ 128,034,164</u></u>

Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

Fiscal Year	
<u>2007</u>	
\$	49,133,247
	10,007,279
	<u>20,730,443</u>
\$	<u>79,870,969</u>

\$	46,265,092
	-
	<u>14,518,588</u>
\$	<u>60,783,680</u>

\$	95,398,339
	10,007,279
	<u>35,249,031</u>
\$	<u>140,654,649</u>

City of Birmingham, Michigan

Schedule 2

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:				
Expenses				
General government	\$ 2,985,800	\$ 4,274,062	\$ 4,185,288	\$ 4,170,097
Public safety	9,261,427	9,551,684	10,548,261	10,762,477
Public works	5,037,138	5,415,066	6,747,200	6,790,761
Community and economic development	1,379,875	1,570,097	1,582,068	2,403,825
Recreation and culture	1,235,909	1,447,417	1,529,228	1,731,180
Interest on long-term debt	<u>686,078</u>	<u>871,144</u>	<u>811,327</u>	<u>796,230</u>
Total expenses	<u>20,586,227</u>	<u>23,129,470</u>	<u>25,403,372</u>	<u>26,654,570</u>
Program Revenues				
Charges for services:				
General government	375,706	166,262	303,151	193,288
Public safety	1,485,747	1,387,850	1,733,626	1,753,163
Public works	472,759	616,455	291,266	346,660
Community and economic development	1,434,932	1,597,551	2,076,302	2,148,951
Recreation and culture	815,198	838,634	794,978	806,742
Operating grants and contributions ^a	1,305,361	1,464,006	1,404,890	1,510,259
Capital grants and contributions	<u>1,454,135</u>	<u>625,982</u>	<u>2,179,561</u>	<u>1,300,424</u>
Total program revenues	<u>7,343,838</u>	<u>6,696,740</u>	<u>8,783,774</u>	<u>8,059,487</u>
Total Governmental Activities Net Program Expense	<u>13,242,389</u>	<u>16,432,730</u>	<u>16,619,598</u>	<u>18,595,083</u>
General Revenues and Other Changes in Net Assets				
Property taxes	15,883,161	18,914,232	19,463,836	20,687,616
State-shared revenues	2,017,629	1,822,737	1,799,241	1,790,712
Investment earnings	390,267	396,859	526,333	845,105
Miscellaneous	59,061	2,795	2,002	(4,603)
Transfers	<u>131,720</u>	<u>(21,876)</u>	<u>21,287</u>	<u>(20,963)</u>
Total general revenues and other changes in net assets	<u>18,481,838</u>	<u>21,114,747</u>	<u>21,812,699</u>	<u>23,297,867</u>
Total Governmental Activities Change in Net Assets	<u>\$ 5,239,449</u>	<u>\$ 4,682,017</u>	<u>\$ 5,193,101</u>	<u>\$ 4,702,784</u>

^a2007 includes \$4.1 million in federal and state grant funds for the Adams Road Bridge replacement.

Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

<u>Fiscal Year</u>
<u>2007</u>
\$ 4,615,465
10,866,289
7,091,099
1,875,319
1,968,067
<u>691,966</u>
<u>27,108,205</u>
380,921
1,453,059
220,857
1,223,222
828,184
1,529,347
<u>5,157,018</u>
<u>10,792,608</u>
<u>16,315,597</u>
22,152,298
1,732,302
1,566,735
48,407
<u>(27,470)</u>
<u>25,472,272</u>
<u>\$ 9,156,675</u>

City of Birmingham, Michigan

Schedule 2

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Business-type Activities:				
Expenses				
Water and sewer	\$ 9,785,225	\$ 9,047,703	\$ 8,854,306	\$ 9,241,450
Automobile parking	3,088,100	3,204,165	3,328,312	3,355,063
Golf courses	<u>1,009,814</u>	<u>974,624</u>	<u>1,054,367</u>	<u>1,066,650</u>
Total expenses	<u>13,883,139</u>	<u>13,226,492</u>	<u>13,236,985</u>	<u>13,663,163</u>
Revenues				
Charges for services:				
Water and sewer	7,081,129	6,927,714	7,279,784	7,858,138
Automobile parking	3,693,419	3,608,526	3,773,554	3,754,325
Golf courses	1,063,581	1,075,422	1,162,190	1,152,815
Capital grants and contributions	<u>230,740</u>	<u>64,014</u>	<u>13,659</u>	<u>-</u>
Total revenues	<u>12,068,869</u>	<u>11,675,676</u>	<u>12,229,187</u>	<u>12,765,278</u>
Total Business-type Activities Net Program Expense	<u>1,814,270</u>	<u>1,550,816</u>	<u>1,007,798</u>	<u>897,885</u>
General Revenues and Other Changes in Net Assets				
Property taxes	3,955,796	3,209,429	4,172,129	4,105,169
Investment earnings	265,363	210,800	282,853	450,013
Transfers	<u>(131,720)</u>	<u>21,876</u>	<u>(21,287)</u>	<u>20,963</u>
Total general revenues and other changes in net assets	<u>4,089,439</u>	<u>3,442,105</u>	<u>4,433,695</u>	<u>4,576,145</u>
Total Business-type Activities Change in Net Assets	<u>\$ 2,275,169</u>	<u>\$ 1,891,289</u>	<u>\$ 3,425,897</u>	<u>\$ 3,678,260</u>
Total Primary Government Change in Net Assets	<u>\$ 7,514,618</u>	<u>\$ 6,573,306</u>	<u>\$ 8,618,998</u>	<u>\$ 8,381,044</u>

Changes in Net Assets (Continued)
Last Five Fiscal Years
(accrual basis of accounting)

<u>Fiscal Year</u>
<u>2007</u>
\$ 9,394,229
3,330,406
<u>1,099,025</u>
<u>13,823,660</u>
7,484,810
3,713,506
974,386
<u>-</u>
<u>12,172,702</u>
<u>1,650,958</u>
4,253,485
834,347
<u>27,470</u>
<u>5,115,302</u>
<u>\$ 3,464,344</u>
<u>\$ 12,621,019</u>

City of Birmingham, Michigan

Schedule 3

	Fiscal Year			
	1998	1999	2000	2001
General Fund				
Reserved	\$ 307,774	\$ 593,336	\$ 503,289	\$ 1,165,454
Designated	744,497	716,827	483,567	971,017
Unreserved	4,336,031	4,464,274	4,313,883	3,874,673
Total General Fund	<u>\$ 5,388,302</u>	<u>\$ 5,774,437</u>	<u>\$ 5,300,739</u>	<u>\$ 6,011,144</u>
All Other Governmental Funds				
Reserved ^a	\$ 5,139,289	\$ 5,235,933	\$ 5,869,568	\$ 6,778,308
Designated, reported in:				
Capital projects fund ^b	1,248,011	1,710,401	13,811,055	13,861,588
Unreserved, reported in:				
Special revenue funds ^c	465,184	558,851	690,044	693,797
Capital projects fund	188,485	360,613	629,222	1,103,161
Total all other governmental funds	<u>\$ 7,040,969</u>	<u>\$ 7,865,798</u>	<u>\$ 20,999,889</u>	<u>\$ 22,436,854</u>

Sources: Fiscal Years 2003-2007 - Governmental Funds Balance Sheet; fiscal years 1997-2002 - Combined Balance Sheet (All Fund Types).

^aReserved fund balance at 6/30/03 for Other Governmental Funds reflects the balance of a \$15.7 million Parks & Recreation bond issue sold in fiscal year 2003.

^bDesignated fund balance for Other Governmental Funds at 6/30/03 reflects a reduction of beginning fund balance in the amount of \$7,758,674. This represents sewer-related bond proceeds which had been accounted for in Debt Service Funds in fiscal years 2000, 2001 and 2002. These are now accounted for in the Sewage-Disposal Fund in accordance with GASB 34.

^cIn fiscal years 1997-2004, fund balance in the Solid Waste Disposal Fund was classified as unreserved. Beginning in fiscal year 2005, it was classified as Reserved.

Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 1,245,487	\$ 897,036	\$ 992,775	\$ 1,362,654	\$ 1,562,317	\$ 1,986,891
45,047	-	-	-	-	500,000
4,014,568	4,165,479	5,294,617	5,982,117	7,286,316	8,176,854
<u>\$ 5,305,102</u>	<u>\$ 5,062,515</u>	<u>\$ 6,287,392</u>	<u>\$ 7,344,771</u>	<u>\$ 8,848,633</u>	<u>\$ 10,663,745</u>
\$ 5,967,257	\$ 10,726,375	\$ 9,666,801	\$ 11,654,051	\$ 7,250,718	\$ 7,899,224
10,289,766	3,171,195	3,037,924	3,172,187	3,245,465	1,477,453
632,136	751,190	867,541	-	-	-
690,166	958,701	798,929	556,673	777,328	933,555
<u>\$ 17,579,325</u>	<u>\$ 15,607,461</u>	<u>\$ 14,371,195</u>	<u>\$ 15,382,911</u>	<u>\$ 11,273,511</u>	<u>\$ 10,310,232</u>

City of Birmingham, Michigan

Schedule 4

	Fiscal Year				
	1998	1999	2000	2001	2002
Revenues					
Property taxes and special assessments	\$ 14,457,595	\$ 15,005,521	\$ 15,197,625	\$ 16,678,578	\$ 18,166,178
Licenses and permits	700,883	1,098,905	1,336,388	2,028,712	1,697,747
Federal grants	168,104	255,884	139,387	86,935	111,135
State sources	3,341,103	3,386,530	3,640,986	3,538,515	3,368,671
Charges for services	1,811,568	1,566,844	1,812,814	1,972,657	1,987,525
Fines and forfeitures	1,455,777	1,371,188	1,434,140	1,561,387	1,416,836
Use of money and property	1,114,725	1,050,682	1,160,580	2,091,827	867,912
Other revenues	33,333	124,879	156,545	162,719	121,188
Total revenues	<u>23,083,088</u>	<u>23,860,433</u>	<u>24,878,465</u>	<u>28,121,330</u>	<u>27,737,192</u>
Expenditures					
General government	3,299,170	4,026,468	3,956,430	4,106,070	4,256,477
Public safety	6,687,762	7,016,085	7,475,104	7,917,513	8,184,850
Public works	2,218,734	2,307,851	2,630,614	2,622,375	3,274,428
Highway and streets	1,800,387	2,096,660	1,831,453	2,175,935	1,950,418
Community and economic development	818,445	1,236,606	1,172,779	1,383,610	1,433,099
Solid waste disposal	1,445,323	1,115,091	1,099,130	1,147,010	1,205,276
Contributions	853,244	713,818	761,175	888,534	840,165
Capital outlay ^a	1,469,402	2,327,506	2,616,380	3,928,017	13,407,326
Debt service ^b					
Interest	1,467,064	1,436,120	1,402,043	1,644,451	1,720,036
Principal	1,154,855	1,146,623	1,245,779	1,927,859	1,557,567
Total Expenditures	<u>21,214,386</u>	<u>23,422,828</u>	<u>24,190,887</u>	<u>27,741,374</u>	<u>37,829,642</u>
Excess of revenues over (under) expenditures	1,868,702	437,605	687,578	379,956	(10,092,450)
Other Financing Sources (Uses)					
Transfer from component units to primary government	53,302	50,822	120,278	136,105	69,852
Transfers in	2,728,085	3,751,811	3,936,910	3,865,059	4,000,553
Transfers out	(2,708,085)	(2,981,811)	(3,916,910)	(3,345,059)	(4,055,286)
Residual equity transfer	(47,462)	(47,463)	(47,463)	(47,463)	-
Bond issuance ^c	-	-	11,880,000	1,158,772	4,513,760
Payments to bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>25,840</u>	<u>773,359</u>	<u>11,972,815</u>	<u>1,767,414</u>	<u>4,528,879</u>
Net change in fund balances	<u>\$ 1,894,542</u>	<u>\$ 1,210,964</u>	<u>\$ 12,660,393</u>	<u>\$ 2,147,370</u>	<u>\$ (5,563,571)</u>
Debt service as a percentage of noncapital expenditures	NRA	NRA	NRA	NRA	NRA

NRA=Not readily available

^aCapital outlay for 2002 includes \$8.7 million for sewer-improvement projects; capital outlay for 2003 includes purchase of the Barnum property for \$8.5 million.

^bPrior to implementation of GASB 34 in 2003, the debt service for several sewer-related bond issues was accounted for in the Debt Service Funds. This is now accounted for in the Sewage Disposal Fund.

^cSewer-improvement bonds were issued in 2000 in the amount of \$12 million; parks & recreation bonds in the amount of \$15.7 million in 2003.

Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

		Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	16,157,523	\$ 19,311,096	\$ 20,193,516	\$ 21,225,051	\$ 22,586,390
	1,554,182	1,788,000	2,325,043	2,082,832	1,471,868
	936,125	358,157	167,152	305,584	273,887
	3,719,633	3,157,699	4,085,860	3,462,540	2,987,264
	2,300,941	2,441,215	2,170,661	2,706,414	2,762,206
	1,310,556	1,268,379	1,611,650	1,480,147	1,422,209
	379,343	360,197	509,800	871,444	1,517,744
	235,449	346,684	236,698	539,348	217,507
	<u>26,593,752</u>	<u>29,031,427</u>	<u>31,300,380</u>	<u>32,673,360</u>	<u>33,239,075</u>
	4,462,205	4,781,522	4,975,125	5,074,225	5,367,207
	8,684,771	8,999,008	9,751,923	10,360,896	10,602,175
	3,828,632	3,406,619	3,266,816	3,246,268	3,290,440
	2,074,639	2,268,936	2,774,938	3,528,356	2,562,731
	1,414,364	1,648,463	1,632,810	2,458,714	1,908,941
	1,316,938	1,519,664	1,494,526	1,577,262	1,588,623
	866,178	681,247	940,609	869,377	768,622
	13,361,958	4,180,968	3,117,195	6,605,573	4,725,070
	521,564	914,514	825,825	812,263	684,365
	350,000	550,000	525,000	725,000	900,000
	<u>36,881,249</u>	<u>28,950,941</u>	<u>29,304,767</u>	<u>35,257,934</u>	<u>32,398,174</u>
	(10,287,497)	80,486	1,995,613	(2,584,574)	840,901
	-	-	-	-	-
	2,926,235	3,270,895	4,063,066	4,012,561	6,089,460
	(2,794,515)	(3,292,771)	(3,989,585)	(4,033,524)	(6,116,930)
	-	-	-	-	-
	15,700,000	5,130,000	-	-	8,881,348
	-	(5,200,000)	-	-	(8,842,409)
	<u>15,831,720</u>	<u>(91,876)</u>	<u>73,481</u>	<u>(20,963)</u>	<u>11,469</u>
\$	<u>5,544,223</u>	\$ <u>(11,390)</u>	\$ <u>2,069,094</u>	\$ <u>(2,605,537)</u>	\$ <u>852,370</u>
	3.7%	5.7%	4.9%	5.2%	5.2%

City of Birmingham, Michigan

Schedule 5

Fiscal Year	Taxable Value					Total
	Residential Property	Commercial Property	Industrial Property	Personal Property		
1998	\$ 798,933,742	\$ 219,777,222	\$ 9,293,650	\$ 49,488,090	\$ 1,077,492,704	
1999	847,369,694	222,657,662	9,218,060	50,787,690	1,130,033,106	
2000	905,762,841	225,273,757	9,360,610	60,363,250	1,200,760,458	
2001	979,676,588	234,621,347	9,807,850	59,423,980	1,283,529,765	
2002	1,066,075,236	236,608,907	10,095,740	60,179,340	1,372,959,223	
2003	1,162,634,718	261,405,270	9,683,680	58,533,820	1,492,257,488	
2004	1,252,362,600	277,386,489	11,224,590	60,481,400	1,601,455,079	
2005	1,363,676,341	282,710,819	11,544,590	57,255,170	1,715,186,920	
2006	1,490,523,810	293,249,140	10,601,220	55,691,160	1,850,065,330	
2007	1,600,709,750	303,977,980	9,186,970	57,873,970	1,971,748,670	

Source: City of Birmingham Finance Department

Note 1: All valuations are taken from the original warrant for each year and do not reflect any supplemental warrants or subsequent Board of Review/Tax Tribunal adjustments.

Note 2: Property in the City of Birmingham is re-assessed annually. On March 15, 1994, the voters of the State of Michigan approved Proposal A, which includes significant changes to Section 3 of Article IX of the State constitution. Starting in 1995, the value against which taxes are spread was changed from assessed value to taxable value. Taxable value represents assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation for as long as the parcel does not change ownership. When ownership is transferred, the taxable value reverts to the assessed value.

^aPer \$1,000 of taxable value.

Assessed Value and Taxable
Values of Property
Last Ten Fiscal Years

Total Direct Tax Rate^a	Estimated Actual Value	Taxable Value as a Percentage of Actual Value	Total Assessed Value	Assessed Value as a Percentage of True Value
15.43	\$ 2,371,989,820	45.4%	\$ 1,185,994,910	50%
15.27	2,586,250,996	43.7%	1,293,125,498	50%
14.95	2,886,833,470	41.6%	1,443,416,735	50%
15.40	3,237,406,180	39.6%	1,618,703,090	50%
15.49	3,642,595,810	37.7%	1,821,297,905	50%
14.87	4,134,445,980	36.1%	2,067,222,990	50%
15.57	4,908,737,620	32.6%	2,454,368,810	50%
15.43	4,999,228,606	34.3%	2,499,614,303	50%
15.07	5,310,882,410	34.8%	2,655,441,205	50%
14.96	5,640,339,340	35.0%	2,820,169,670	50%

City of Birmingham, Michigan

Schedule 6

Fiscal Year	City Direct Rates					Overlapping Rates			
						Oakland County			
	Basic Charter Operating Rate ^a	Refuse ^b	Baldwin Public Library ^c	Debt Service ^d	Total Direct	County	Community College	Intermediate School District	Total County Rate
1998 ^e	\$12.29	\$1.01	\$1.28	\$0.85	\$15.43	\$5.15	\$1.65	\$2.13	\$8.93
1999 ^f	12.26	1.00	1.26	0.75	15.27	4.99	1.65	2.12	8.76
2000	11.66	0.96	1.58	0.75	14.95	4.98	1.63	2.10	8.71
2001	11.53	0.82	1.68	1.37	15.40	4.97	1.61	2.08	8.66
2002 ^g	12.02	0.77	1.64	1.06	15.49	4.96	1.60	3.45	10.01
2003	11.50	0.83	1.54	1.00	14.87	5.25	1.61	3.42	10.28
2004 ^h	11.61	0.93	1.57	1.46	15.57	5.24	1.60	3.40	10.24
2005	11.71	0.87	1.55	1.30	15.43	5.24	1.59	3.38	10.21
2006	11.44	0.82	1.52	1.29	15.07	5.24	1.58	3.37	10.19
2007	11.36	0.81	1.48	1.31	14.96	5.24	1.58	3.37	10.19

Source: City of Birmingham Finance Department

Note: The following state requirements limit the City's ability to increase tax rates:

1) The Headlee constitutional amendment: this amendment to the state constitution approved in 1978 places an upper limit on the annual operating millage rate. The maximum rate is calculated by a formula tied to the rate of inflation and previous years' cumulative "roll-back factor." The Headlee maximum allowable rates per \$1,000 of taxable valuation for fiscal year 2005-2006 are as follows: general operating \$12.80, refuse \$1.92, library \$1.52. There is no Headlee limitation on debt service. The Headlee limitation may be waived only by a vote of the electorate.

2) Truth in Assessing Act: this act approved in 1981 requires a rollback in maximum authorized tax rates when the total assessed value of all property in the City is less than the total State Equalized Value. To date, this has not applied to the City of Birmingham.

^aThe City charter general operating-tax-rate limit is \$20.00 per \$1,000 of taxable valuation.

^bMichigan law allows the City to levy up to \$3.00 per \$1,000 of taxable value for refuse collection.

^cThe City charter provides for a tax levy in support of the library (a discretely presented component unit). The levy must be no less than \$0.50 and no more than \$1.75 per \$1,000 of taxable valuation.

^dCity debt, unless otherwise provided by state law, must be approved by the electorate. The city commission shall levy taxes sufficient to pay the annual debt service.

^eBeginning in 1997-1998, a portion of the charter operating millage is allocated to the Water Supply System Fund for watermain repair and replacement.

^fBeginning in 1998-1999, a portion of the charter operating millage is allocated to the Sewage-Disposal Fund for sewer-relief projects.

^gBeginning in 2001-2002, a portion of the charter operating millage is allocated to the George W. Kuhn Drain Bond Debt Service Fund.

^hBeginning in 2003-2004, a portion of the charter operating millage is allocated to the Sewage-Disposal Fund to fund the debt service for the North Arm Drain.

Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years
*(rate per \$1,000 of taxable value,
rounded to two decimal places)*

<u>Overlapping Rates</u>		<u>Total Rates</u>	
<u>Birmingham Public Schools</u>			
<u>Homestead</u>	<u>Non-Homestead</u>	<u>Homestead</u>	<u>Non-Homestead</u>
\$19.01	\$24.00	\$43.37	\$48.36
20.01	25.67	44.04	49.70
19.70	25.45	43.36	49.11
18.90	25.45	42.96	49.51
18.48	25.45	43.99	50.96
17.75	25.45	42.90	50.60
16.43	24.55	42.24	50.36
18.41	26.97	44.05	52.61
18.21	27.26	43.47	52.52
17.82	27.24	42.97	52.39

City of Birmingham, Michigan

Schedule 7

2007				
<u>Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>
Fuller Central Park Properties	Office/Retail	\$ 25,762,070	1	1.31%
Crowley-Willits Retail	Retail/Theatre	16,769,710	2	0.85%
Geoff Hockman & Associates	Hotel/Office/Residential	15,975,450	3	0.81%
James Esshaki/J.P. Equities LLC	Office/Retail	14,279,660	4	0.72%
DTE Energy	Utility	7,524,590	5	0.38%
Associates of 555	Office/Retail/Apartments	6,820,190	6	0.35%
Rosso Development	Residential/Apt./Office	5,571,830	7	0.28%
BP Commercial	Office/Hotels	5,160,460	8	0.26%
260 Brown Street	Office	5,074,450	9	0.26%
Topvalco	Retail	5,040,900	10	0.26%
Paul Johnson	Apartments/Commercial	-	-	-
Anthony S. Brown	Hotel/Office	-	-	-
Jacobson's	Retail	-	-	-
Connecticut General Life	Office/Retail	-	-	-
JFK Investments	Office/Retail	-	-	-
Mooney Oil Company	Office	-	-	-
Total taxable value of 10 largest taxpayers		107,979,310		5.48%
Total taxable value of all other taxpayers		1,863,769,360		94.52%
Total taxable value of all taxpayers		<u><u>\$ 1,971,748,670</u></u>		<u><u>100.00%</u></u>

Source: City of Birmingham Assessor's Office

Principal Property Taxpayers
Current Year and Nine Years Ago

<u>1998</u>		
<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>
\$ 12,328,210	2	1.14%
-		-
-		-
-		-
6,726,320	6	0.62%
5,487,190	3	0.51%
3,315,250	9	0.31%
-		-
-		-
-		-
16,132,510	1	1.50%
4,481,550	4	0.42%
6,026,010	5	0.56%
6,128,440	7	0.57%
5,096,940	8	0.47%
3,864,320	10	0.36%
69,586,740		6.46%
1,007,905,964		93.54%
<u>\$ 1,077,492,704</u>		<u>100.00%</u>

City of Birmingham, Michigan

Schedule 8

Fiscal Year	Taxes Levied for the Fiscal Year -		Adjusted Levy at Settlement ^g	Collected within the Fiscal Year of the Levy ^b	
	Original Levy ^a	Adjustments		Amount	Percentage of Original Levy
1998	\$ 16,622,157	\$ (136,946)	\$ 16,485,211	\$ 16,397,816	98.65%
1999	17,248,712	8,079	17,256,791	17,191,132	99.67%
2000 ^c	17,955,509	(12,269)	17,943,240	17,855,315	99.44%
2001	19,770,668	(151,009)	19,619,659	19,541,389	98.84%
2002	21,277,771	(97,491)	21,180,280	21,121,312	99.26%
2003 ^d	22,193,468	47,618	22,241,086	22,160,959	99.85%
2004 ^e	24,946,153	(68,761)	24,877,392	24,821,539	99.50%
2005	26,465,501	(70,295)	26,395,206	26,334,298	99.50%
2006	27,889,480	(150,577)	27,738,903	27,725,980	99.41%
2007 ^h	29,514,861	(42,915)	29,471,946	29,449,126	99.78%

Source: City of Birmingham Finance Department

NRA= Not readily available.

NA=Not available

^aIncludes tax levy for the Baldwin Public Library which is a discretely presented component unit.

While legally separate, the library is fiscally dependent on the City.

^bIncludes payment from Oakland County. All unpaid real and personal property taxes (except PA 189) are returned to Oakland County at the end of the collection period. The City is paid in full for delinquent real property at the time of settlement with Oakland County. The City is paid for delinquent personal property taxes as they are collected by Oakland County.

^cBeginning in fiscal year 1999-2000, the *Taxes Levied* includes the supplemental warrant for Michigan Public Act 189 properties. These are properties leased from the City of Birmingham (e.g., sidewalk cafes). The taxes levied represent approximately 0.02% of the adjusted levy.

^dBeginning in fiscal year 2002-2003, the *Taxes Levied* includes taxes levied against properties subject to Michigan's Public Act 425 which have been conditionally transferred from Bloomfield Township to the City of Birmingham. The taxes levied represent less than 0.5% of the adjusted levy.

^eBeginning in 2004, *Collected within the Fiscal Year* includes personal property tax payments received subsequent to settlement with Oakland County but prior to the end of the fiscal year. This information is not readily available for prior years.

^fRepresents collections of personal property taxes and PA 189 taxes, if any.

^gRepresents amended levy at time of settlement with Oakland County. It does not reflect subsequent adjustments to the levy which are not readily available.

^hBeginning in 2007, *Taxes Levied* includes the Brownfield Authority, a component unit which is fiscally dependent on the City. Taxes levied are insignificant.

Property Tax Levies and Collections
Last Ten Fiscal Years

Collections in Subsequent Years ^f	Total Collections to Date	
	Amount	Percentage of Adjusted Levy
NRA	NRA	NRA
NRA	NRA	NRA
NRA	NRA	NRA
NRA	NRA	NRA
NRA	NRA	NRA
NRA	NRA	NRA
\$ 23,366	\$ 24,844,905	99.87%
20,828	26,355,126	99.85%
(543)	27,725,437	99.95%
NA	NA	NA

City of Birmingham, Michigan

Schedule 9

Fiscal Year	Governmental Activities		Business-Type Activities		
	General Obligation Bonds ^a	Brownfield Redevelopment Loans	General Obligation Bonds ^b	Contractual Obligations ^c	Water Revenue Bonds ^d
1998	\$ 7,788,072	\$ -	\$ 9,311,928	\$ 22,150,170	\$ 2,200,000
1999	7,310,286	-	8,579,714	21,444,473	2,000,000
2000	6,747,674	-	19,822,326	21,161,485	1,800,000
2001	6,200,000	-	18,720,000	21,515,621	1,600,000
2002	5,900,000	-	17,585,000	25,630,168	1,400,000
2003	21,250,000	-	16,345,000	27,663,312	-
2004	20,630,000	-	15,025,000	26,228,128	-
2005	20,105,000	-	14,555,000	24,801,276	-
2006	19,380,000	300,000	13,095,000	23,343,203	-
2007	18,587,725	300,000	11,655,000	21,821,028	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aIn 2002-2003, general obligation bonds for parks and recreation were issued in the amount of \$15.7 million.

^bIn 1999-2000, general obligation bonds for sewer improvements were issued in the amount of \$12 million.

^cCity of Birmingham's share of general obligation bonds issued by Oakland County.

^dIn 2002-2003, the water revenue bonds were called.

^eSee Schedule 5 for property value data. Personal income data is not available.

^fSee Schedule 14 for population data.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	<u>Total Primary Government</u>	<u>Percentage of Actual Taxable Value of Property^e</u>	<u>Per Capita^f</u>
\$	41,450,170	3.85%	\$ 2,068
	39,334,473	3.48%	1,963
	49,531,485	4.13%	2,476
	48,035,621	3.74%	2,490
	50,515,168	3.68%	2,605
	65,258,312	4.37%	3,353
	61,883,128	3.86%	3,191
	59,461,276	3.47%	3,073
	56,118,203	3.03%	2,902
	52,363,753	2.66%	2,687

City of Birmingham, Michigan

Schedule 10

Fiscal Year	Net General Bonded Debt Outstanding				Total
	General Obligation Bonds ^{a,b}	Brownfield Redevelopment Loans	Contractual Obligations ^c	Less: Funds Restricted to Repayment of Debt ^d	
1998	\$ 17,100,000	\$ -	\$ 22,150,170	\$ (1,268,285)	\$ 37,981,885
1999	15,890,000	-	21,444,473	(1,143,863)	36,190,610
2000	26,570,000	-	21,161,485	(1,034,733)	46,696,752
2001	24,920,000	-	21,515,621	(988,855)	45,446,766
2002	23,485,000	-	25,630,168	(1,225,960)	47,889,208
2003	37,595,000	-	27,663,312	(10,078)	65,248,234
2004	35,655,000	-	26,228,128	(109,710)	61,773,418
2005	34,660,000	-	24,801,276	(109,458)	59,351,818
2006	32,475,000	300,000	23,343,203	(102,105)	56,016,098
2007	30,242,725	300,000	21,821,028	(107,427)	52,256,326

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aIn 1999-2000, general obligation bonds for sewer improvements were issued in the amount of \$12 million.

^bIn 2002-2003, general obligation bonds for parks and recreation were issued in the amount of \$15.7 million.

^cCity of Birmingham's share of general obligation bonds issued by Oakland County.

^dPrior to implementation of GASB 34 in 2003, cash reserved for repayment of tax-supported business-type debt was recorded in the Debt Service Funds. Beginning in 2003, this amount is recorded in the Sewage-Disposal Fund, Cash & Investments account.

^eSee Schedule 5 for property value data.

^fSee Schedule 14 for population data.

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Percentage of Actual Taxable Value of <u>Property^e</u>	Per <u>Capita^f</u>
3.53%	\$ 1,895
3.20%	1,806
3.89%	2,334
3.54%	2,356
3.49%	2,470
4.37%	3,352
3.86%	3,185
3.46%	3,068
3.03%	2,897
2.65%	2,681

City of Birmingham, Michigan

Schedule 11

Direct and Overlapping Governmental Activities Debt As of June 30, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Birmingham School District	\$ 226,525,000	41.58%	\$ 94,189,095
Oakland County ^a	106,286,871	3.17%	3,369,294
Pontiac School District	34,241,000	0.17%	58,210
Oakland Community College	8,995,000	3.19%	286,941
Oakland Intermediate School District	55,185,000	3.18%	1,754,883
Other Debt	-	N/A	-
Subtotal, overlapping debt			99,658,423
City Direct Debt (see schedule 9 for governmental activities)			18,887,725
Total Direct and Overlapping Debt			<u>\$ 118,546,148</u>

Source: The net tax-supported debt (*debt repaid with property taxes*) information was provided by the City's bonding agent, Bendzinski & Co., courtesy of the Municipal Advisory Council of Michigan. The percentages for each entity are calculated by dividing the City's 2006 taxable value by the taxable value for each entity.

^aIncludes general obligation (g.o.) building authority and g.o. special assessment debt of the governmental activities and Oakland County's share of Drainage District bonds. The County portion of the drain bonds is identified as general obligation. The Drainage District is a component unit of Oakland County. Not included are various water and/or sewage disposal bonds included in Oakland County's governmental activities. These bonds represent contracts between Oakland County and benefiting municipalities with the County. The County is obligated only upon default of a local municipality.

City of Birmingham, Michigan

Schedule 12

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Debt limit	\$ 118,599	\$ 129,313	\$ 144,342	\$ 161,870
Total net debt applicable to limit	<u>17,230</u>	<u>16,014</u>	<u>26,686</u>	<u>26,187</u>
Legal debt margin	<u>\$ 101,369</u>	<u>\$ 113,299</u>	<u>\$ 117,656</u>	<u>\$ 135,683</u>
Total net debt applicable to the limit as a percentage of debt limit	14.53%	12.38%	18.49%	16.18%

Source: City of Birmingham Finance Department

^aThe legal debt limit is set forth in Section 117.4a of Act 279 of 1909 (Home Rule City Act). This act also defines allowed deductions.

^b Act No. 202, P.A. 1943 as amended by Act. No. 42, P.A. 1960 defines assessed valuation.

Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

2006 State Equalized Valuation	\$ 2,820,170
Debt limit ^a (10% of State Equalized Valuation ^b)	282,017
Debt applicable to limitation:	
Total bonded and contractual debt	52,364
Less deductions allowed by law:	
Combined sewer overflow abatement project	14,569
Total net debt applicable to limit	37,795
Legal debt margin	\$ 244,222

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 182,130	\$ 206,722	\$ 245,437	\$ 249,961	\$ 265,544	\$ 282,017
<u>29,254</u>	<u>46,327</u>	<u>43,930</u>	<u>42,582</u>	<u>40,330</u>	<u>37,795</u>
<u>\$ 152,876</u>	<u>\$ 160,395</u>	<u>\$ 201,507</u>	<u>\$ 207,379</u>	<u>\$ 225,214</u>	<u>\$ 244,222</u>
16.06%	22.41%	17.90%	17.04%	15.19%	13.40%

Water Revenue Bonds							
Fiscal Year	Water Fund Operating Revenues	Less: Operating Expenses ^a	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
1998	\$ 2,402,501	\$ 1,742,852	\$ 659,649	\$ 200,000	\$ 94,300	\$ 294,300	2.24
1999	2,776,298	1,944,221	832,077	200,000	86,500	286,500	2.90
2000	2,508,952	1,773,321	735,631	200,000	78,500	278,500	2.64
2001	2,207,898	1,635,065	572,833	200,000	70,000	270,000	2.12
2002	2,633,119	1,928,922	704,197	200,000	61,500	261,500	2.69
2003	2,702,271	2,443,291	258,980	1,400,000	52,750	1,452,750	N/A

Note: Revenue bonds were called and outstanding principal balance of \$1.4 million was paid in full in June 2003.

^aOperating expenses do not include depreciation and amortization.

City of Birmingham, Michigan

Schedule 14

Demographic and Economic Statistics Last Ten Calendar Years

Calendar Year	Population ^a	Number of Households ^a	Median Household Income ^b	Per Capita Income ^c	Median Age ^d	School Enrollment K-12 ^e	School Enrollment K-12 ^f	Unemployment Rate ^g
1997	20,043	9,363	\$ 78,998					1.6
1998	20,042	9,383	94,051					1.4
1999	20,003	9,361	87,591	\$ 59,314				1.4
2000	19,291	9,131	108,048		39.3	2,817		1.2
2001	19,391	9,200	113,612					2.1
2002	19,465	9,237	124,839					2.7
2003	19,393	9,230	112,207				2,245	2.8
2004	19,347	9,270	92,018				2,184	2.9
2005	19,337	9,291	106,264				2,173	3.6
2006	19,490	9,385	Not available				2,271	3.5

Sources:

^aData for 2000 is from the U.S. Census Bureau. Estimates for 1996-1999 and 2001-2005 are from SEMCOG, Southeast Michigan Council of Governments as of July 1.

^bEstimates are from Oakland County Planning & Economic Development.

^cPer U.S. Census Bureau. Estimated per capita income figures for non-census years are not readily available below the county level.

^dPer U.S. Census Bureau-2000 Census.

^ePer U.S. Census Bureau-2000 Census. Represents Birmingham residents enrolled in public and private schools, kindergarten through high school.

^fPer Birmingham Public Schools. Data reflects enrollment of Birmingham residents at the end of the school year.

^gData is from the Michigan Department of Career Development (MDCD) Office of Labor Market information and reflects the annual average as of December 31.

City of Birmingham, Michigan

Schedule 15

<u>Employer</u>	<u>Product or Service</u>	<u>2007^a</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment^c</u>
Birmingham Public Schools	Primary education	867	1	3.80%
McCann Worldgroup	Advertising and marketing	275	2	1.21%
Kroger	Supermarket chain	189	3	0.83%
City of Birmingham ^d	Government services	180	4	0.79%
Munder UK LLC	Investment counselors	177	5	0.78%
Townsend Hotel	Hotel	175	6	0.77%
Uptown Theatres	Movie theaters	150	7	0.66%
Morgan Stanley DW Inc.	Securities broker	120	8	0.53%
Peabody's of Birmingham	Restaurant	115	9	0.50%
Cameron Mitchell Restaurants	Restaurants	110	10	0.48%
Erb Lumber	Lumber supplies	-		
Allnet Communications	Voice communications	-		
Gettel Management	Restaurants	-		
Peil Temporary Services	Temporary employment	-		
William Beaumont Hospital	Health care	-		
First of America	Financial services	-		
Townsend Hotel	Hotel/restaurant	-		
Jacobson Stores, Inc.	Department store	-		
Total		2,358		10.34%

^aThe primary source is the 2007 Community Profile prepared by Oakland County Planning & Economic Development as modified by the City Finance Department.

^bThe primary source is the 1998-1999 Community Profile prepared by Oakland County Planning & Economic Development as modified by the City Finance Department.

^cThe source for total employment data is SEMCOG (Southeast Michigan Council of Governments). The most recent data is from 2000. This number was used for both the 1998 and 2007 percentage calculations. It is assumed that the total number employed has remained relatively stable during this period.

^dReflects budgeted full-time positions excluding component units.

Principal Employers
Current Year and Nine Years Ago

1998 ^b		
Employees	Rank	Percentage of Total City Employment ^b
1,385	1	6.07%
-		
-		
173	8	0.76%
-		
-		
-		
-		
-		
1,050	2	4.60%
800	3	3.51%
400	4	1.75%
375	5	1.64%
270	6	1.18%
255	7	1.12%
170	9	0.75%
165	10	0.72%
5,043		22.10%

City of Birmingham, Michigan

Schedule 16

<u>Function/Program</u>	<u>Average FTE by Fiscal Year</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government					
Finance	7.56	8.09	8.33	8.33	7.98
Treasury	7.03	6.43	6.41	6.44	6.42
City Manager/Human Resources	4.94	4.97	5.02	4.85	5.27
Assessor	4.73	4.64	4.72	4.55	4.36
Other ^a	9.45	10.38	10.58	10.68	10.66
Public Safety					
Firefighters and officers ^b	38.00	38.00	38.00	38.00	38.00
Police officers and command	33.85	34.93	34.91	34.80	34.20
Police civilians	21.68	21.08	20.73	20.20	19.46
Fire civilians	1.09	1.06	1.08	1.00	1.00
Public Works					
Engineering	4.85	5.20	5.61	4.46	2.84
Public service operations ^c	21.34	18.72	19.95	21.60	22.34
Community and Economic Development					
Building department	10.02	9.97	9.59	9.34	9.80
Planning department	5.99	5.27	5.31	5.65	5.74
Recreation and Culture ^d	12.54	12.87	12.85	12.97	13.45
Water and Sewer					
Water- and sewer-main maintenance	8.22	8.66	10.01	10.21	10.21
Water meter shop	3.19	3.03	3.35	3.26	3.33
Automobile Parking ^e	3.05	3.55	3.74	3.59	3.43
Golf Courses	11.96	13.27	14.35	12.78	13.69
Total Primary Government	<u>209.49</u>	<u>210.13</u>	<u>214.54</u>	<u>212.71</u>	<u>212.18</u>
Component Units					
Library	34.89	34.58	37.19	37.97	38.08
Principal Shopping District	<u>3.10</u>	<u>2.85</u>	<u>3.09</u>	<u>3.12</u>	<u>3.56</u>
Total City	<u>247.48</u>	<u>247.56</u>	<u>254.82</u>	<u>253.80</u>	<u>253.82</u>

Source: Finance Department payroll records.

Note: Unless otherwise noted, the FTEs for each function and sub-function were calculated by dividing the total number of payroll hours expensed (including leave hours) by 2,080 (52 weeks X 40 hours). Similar information prior to 2001 is not readily available. Department of Public Services functions include public service operations, recreation & culture, water and sewer-main maintenance, and golf course operations & maintenance. Supervisory and clerical employees are allocated to these functions on a percentage basis. All other employees are expensed directly to these functions based on tasks performed.

^aIncludes City Clerk, City Hall & Grounds, and Information Technology.

^bRepresents actual head count.

^cIncludes street cleaning & maintenance, maintenance of street trees and public property (except parks), and vehicle & equipment pool maintenance.

^dIncludes ice arena and museum operations, maintenance of parks and public gardens.

^eCity employees collect money from parking meters, repair/replace meters and maintain the grounds adjacent to the parking structures.

Full-time Equivalent City Government
Employees by Function/Program
Last Seven Fiscal Years

<u>2006</u>	<u>2007</u>
7.05	7.41
6.49	6.08
5.17	4.93
4.62	4.67
11.00	10.46
37.00	37.00
34.73	35.01
19.49	19.60
0.70	0.40
3.47	5.82
20.83	21.29
11.06	11.00
5.99	6.85
14.16	15.24
9.38	7.91
3.23	3.29
3.92	3.08
12.82	13.21
<u>211.11</u>	<u>213.25</u>
37.39	38.16
<u>3.49</u>	<u>3.37</u>
<u>251.99</u>	<u>254.78</u>

City of Birmingham, Michigan

Schedule 17

Function/Program	Fiscal Year						
	1998	1999	2000	2001	2002	2003	2004
General Government							
Registered voters ^a	17,489	16,817	16,860	16,989	16,590	16,295	16,153
Ballots cast in November election	1,239	9,094	3,309	11,754	4,807	2,570	4,586
Taxpayers	NRA	NRA	NRA	NRA	11,000	10,610	10,610
Average rate of return on city investments	5.85%	5.58%	5.40%	5.68%	2.50%	1.40%	1.47%
Vendor checks issued	NRA	NRA	8,022	8,451	8,325	7,850	8,075
Public Safety							
Fire Department ^b							
Total alarms	NRA	NRA	NRA	NRA	NRA	1,774	1,713
Fires	NRA	NRA	NRA	NRA	NRA	65	43
Rescues/extrications (medical runs)	NRA	NRA	NRA	NRA	NRA	931	942
Other runs	NRA	NRA	NRA	NRA	NRA	778	728
Fire inspections ^c	844	830	875	833	876	850	850
Police Department ^b							
Responses to calls for service	20,950	21,250	21,150	19,469	19,276	20,978	19,628
Adult arrests	760	661	689	732	755	682	728
Parking violations	54,775	59,518	59,728	48,524	48,639	46,278	50,173
Moving violations	8,543	7,938	8,096	7,836	7,445	6,596	5,095
Public Works							
Tons of municipal solid waste collected	12,850	12,850	13,000	13,500	13,000	12,556	12,748
City vehicles/equipment serviced per month (E)	NRA	NRA	NRA	NRA	NRA	NRA	NRA
Street trees planted	NRA	NRA	NRA	NRA	NRA	NRA	NRA
Street trees removed	NRA	NRA	NRA	NRA	NRA	NRA	NRA
Community & Economic Development							
Building & demolition permits issued	836	921	844	866	826	849	937
Total construction value (in thousands)	\$40,069	\$58,681	\$43,451	\$76,940	\$62,542	\$58,217	\$98,979
Recreation & Culture							
Skaters in ice arena basic skills program	NRA	NRA	NRA	NRA	NRA	1,477	1,294
Men's softball teams	-	7	7	6	7	7	5
Water & Sewer							
Water customers	8,541(E)	8,541(E)	8,521	8,496	8,283	8,277	8,296
Water meters in service	NRA	NRA	NRA	NRA	8,524	8,522	8,523
Automobile Parking							
Five parking structures							
Active parking permits at June 30	3,021	2,983	3,099	3,260	3,158	2,896	2,764
Transient parkers	NRA	1,241,128	1,192,277	1,170,639	1,436,405	1,440,004	1,453,125
Free parkers	NRA	891,842	857,439	807,565	827,966	832,018	856,850
Golf Courses (calendar year)							
Rounds played-Lincoln Hills ^d	35,000	35,000	35,000	35,000	35,000	35,000	31,401
Rounds played-Springdale ^e	34,650	26,450	22,400	NRA	NRA	NRA	28,151
Business memberships	NRA	NRA	NRA	NRA	NRA	NRA	NRA
Non-resident memberships							
Individual	NRA	NRA	NRA	NRA	NRA	NRA	NRA
Family	NRA	NRA	NRA	NRA	NRA	NRA	NRA
Junior golf registrations	NRA	NRA	NRA	NRA	NRA	NRA	NRA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Fiscal Year		
<u>2005</u>	<u>2006</u>	<u>2007</u>
15,422	14,307	14,863
12,340	3,402	10,164
11,000	11,000(E)	11,179
2.27%	3.19%	4.17%
8,168	8,362	8,014
1,689	1,719	1696
51	50	36
953	955	980
685	714	680
825	1,844	900(E)
20,004	20,003	19,977
578	645	630
49,410	44,394	45,214
6,450	6,662	7,129
12,254	11,898	13,200
NRA	100	100
NRA	240	407
NRA	600	453
1,122	993	766
\$92,583	\$81,777	\$49,353
1,501	1,217	1000
5	6	6
8,476	NRA	8,594
8,533	8,602	8,646
3,189	3,247	3,296
1,485,487	1,377,702	1,366,749
882,495	849,698	881,005
28,710	29,455	N/A
28,560	24,546	N/A
180	160	116
366	298	258
NRA	74	70
238	260	396

City of Birmingham, Michigan

Schedule 17

	Fiscal Year						
	1998	1999	2000	2001	2002	2003	2004
Function/Program							
Component Units:							
Library							
Registered patrons	36,000(E)	28,322(E)	34,971(E)	28,678	32,999	36,477	40,029
Book collections	132,062	136,311	137,222	136,313	138,487	135,203	135,132
Audiovisual collections	40,711	38,195	44,751	42,352	49,115	50,230	51,860
Items circulated	368,114	345,334	328,145	330,935	344,788	386,488	426,007
Reference questions	106,504	83,688	N/A	97,478	N/A	78,644	93,809
Patron visits	315,886	303,866	278,314	275,602	282,894	287,336	320,047
Circulation per capita ^f	12	12	11	11	11	13	14
Program attendance	N/A	N/A	N/A	N/A	N/A	13,450	22,819
Computer resource usage	N/A	N/A	N/A	N/A	N/A	605,787	1,014,777
Principal Shopping District							
Retail occupancy rate as of June 30 ^g	N/A	N/A	N/A	N/A	N/A	89.0%	94.0%
Sponsored events	N/A	N/A	N/A	N/A	N/A	8	8
PR media impressions (in millions) ^h	N/A	N/A	N/A	N/A	N/A	17	34.3
Website "hits" per month (approximate) ⁱ	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Flower planters/baskets maintained	N/A	N/A	N/A	N/A	N/A	34	85

(E) = Estimate

N/A=Not available

NRA = Not readily available

^aDate of count varies.

^bAll numbers reflect the calendar year ending midway through fiscal year.

^cIn all buildings except single and duplex residential.

^dReduced play in 1997 due to construction of a retention basin.

^eSpringdale was closed for remodeling during part of 2000 and most of 2001.

^fBased on the service area of the library which includes Birmingham, Beverly Hills and Bingham Farms, population of 30,758 per 2000 census.

^gRetail occupancy is based on the total number of retail (1st floor) square footage in the PSD, divided by the total square footage of retail space for lease in the same area.

^hMedia impressions is an industry-standard formula that tracks "earned" media coverage. This isn't paid advertising; it represents how many people have seen/heard the PSD's message/story in the news media.

ⁱThe number of times an individual or search engine scans the PSD web site www.enjoybirmingham.com

Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

Fiscal Year		
<u>2005</u>	<u>2006</u>	<u>2007</u>
42,213	45,237	48,113
132,586	133,189	135,192
55,905	57,511	59,500
520,018	586,191	662,035
78,000 (E)	78,000 (E)	78,000 (E)
352,742	382,414	370,097
17	19	21.5
28,991	29,516	27,633
1,240,934	1,395,117	1,506,017
94.9%	93.0%	94.3%
9	11	11
37.8	41.7	46.6
N/A	148,000	348,000
124	144	144

City of Birmingham, Michigan

Schedule 18

	Fiscal Year					
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Function/Program</u>						
General Government						
City hall (square footage)	24,282	24,282	24,282	24,282	24,282	24,282
Library building (square footage)	30,470	30,470	30,470	30,470	30,470	30,470
Public Safety						
Fire stations	2	2	2	2	2	2
Fire pumps	3	3	3	3	3	3
Other fire vehicles (includes 1 aerial tower)	8	8	8	8	8	8
Police precincts	1	1	1	1	1	1
Public Works						
DPS administrative building & garage (square footage)	36,365	36,365	36,365	36,365	36,365	36,365
Major Streets (miles)	21.87	21.87	21.87	21.87	21.87	21.87
Local Streets (miles)	69.12	69.12	69.12	69.12	69.12	62.45
Sidewalks (miles)	127.52	128.69	128.69	128.69	128.69	128.69
Bridges	9	9	9	9	9	9
Vehicles in city fleet (excluding fire) ^b	NRA	NRA	NRA	NRA	NRA	NRA
Recreation & Culture						
Parks	18	18	18	18	18	18
Park land/public property (acres)	200	200	200	200	200	200
Trees on park/public land	12,000	12,000	12,000	12,000	12,000	12,000
Tennis courts	20	20	20	20	20	20
Baseball diamonds	1	1	1	1	1	1
Softball diamonds	1	1	1	1	1	1
Little League diamonds	6	6	6	6	6	6
Ice arena	1	1	1	1	1	1
Historical museum	-	-	1	1	1	1
Skate park	-	-	-	-	-	-
Water & Sewer						
Water mains (miles)	102.14	101.93	101.99	101.87	101.56	100.24
Sanitary sewers (miles)	116	116	116	116	116	117
Fire hydrants (city-owned)	724	724	729	733	749	763
Water storage tanks (500,000 gal.)	2	2	2	2	2	2
Line gate valves	1,245	1,246	1,248	1,248	1,251	1,259
Automobile Parking						
Parking structures	5	5	5	5	5	5
Revenue-generating public parking spaces						
Metered spaces (streets & surface lots)	1,160(E)	1,160	1,176	1,192	1,228	1,252
Parking structure spaces	3,675	3,675	3,675	3,579	3,579	3,579
Total	4,835	4,835	4,851	4,771	4,807	4,831
Golf Courses (nine-hole)	2	2	2	2	2	2

E = Estimate

NRA=Not readily available

^aThe City of Birmingham occupies 4.73 square miles.

^bSelf-propelled licensed vehicles. The entire city fleet has increased approximately 10% over the past ten years.

Capital Asset Statistics by Function/Program^a
Last Ten Fiscal Years

Fiscal Year			
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
24,282	24,282	24,282	24,282
30,470	30,470	30,470	30,470
2	2	2	2
3	3	3	3
8	9	9	9
1	1	1	1
36,365	36,365	36,365	36,365
21.87	21.87	21.87	21.87
62.45	62.58	62.58	62.58
128.69	128.69	128.69	128.69
9	9	9	9
NRA	NRA	93	93
18	18	18	18
200+	200+	225+	225+
12,000	12,000	12,000	12,000
16	16	16	16
1	1	1	4
1	1	1	1
6	6	6	6
1	1	1	1
1	1	1	1
1	1	1	1
100.24	100.8	100.85	100.85
117.09	117.09	116.94	116.94
779	789	809	819
2	2	2	2
1,272	1,278	1,278	1278
5	5	5	5
1,267	1,270	1,270	1,288
3,579	3,579	3,579	3,579
4,846	4,849	4,849	4,867
2	2	2	2



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November 7, 2007

To the Honorable Mayor and
Members of the City Commission
City of Birmingham
151 Martin
Birmingham, MI 48012-3001

Dear Mayor and Commission Members:

We have recently completed our audit of the financial statements of the City of Birmingham for the year ended June 30, 2007. As a result of our audit, and in addition to our financial report, we have the following comments for the Commission's review.

Audit Standards Changes - This Year and Next

The American Institute of Certified Public Accountants Audit Standards Board recently issued several new Statements on Auditing Standards that significantly affect the audit process. The first two changes impacted the audit of the current year ended June 30, 2007; the other changes will have a much more significant impact and will be applicable next year.

The current year's audit changes impacted audit documentation procedures and communications of internal control deficiencies to the City Council. Under these new rules, if our firm had become aware of any internal control deficiencies that could result in more than a remote likelihood of an error in the financial statements (unless clearly inconsequential), we would have communicated those to you in writing. The purpose of this new rule is to make you aware of potential issues before they arise to the level of material weaknesses. During the current year, we became aware of no material weaknesses to report to you.

For next year's audit, eight new auditing standards have been issued that require significant changes in how audits are performed. Similar to the Sarbanes-Oxley rules that impacted publicly held corporations, these rules are intended to help audited entities strengthen their internal controls. We have recently put on a seminar explaining these new rules, which was attended by your staff. In brief, these new rules require all auditors to:

- Obtain a deeper understanding of the design and operation of internal control
- Assess the effectiveness of internal control



- Obtain corroborating evidence that the understanding is correct and the assessment is appropriate (i.e., inspection of documents, observation of procedures, or inquiry)
- Consider “what could go wrong” in the financial statement process (evaluate the risks of financial statement errors)
- Link the results to specific further audit procedures
- Communicate a summary of the results of the auditor’s work to those charged with governance (the City Council)

As you can see, auditors will spend significantly more time working with all aspects of your internal control (accounting processes, information technology general and application controls, and traditional internal control procedures). The thought process is that internal control is critically important to any organization, and it would be better served if the annual audit focused significant work on its effectiveness. These new rules are not limited to the public sector - they will apply to any organization that obtains an audit (nonprofit organization, private company, etc.).

These new rules will impact audited organizations in two ways: your finance staff will incur more time and effort in preparation for the audit, and the audit process will require additional time. To keep our audits under these new standards as efficient as possible, Plante & Moran, PLLC has spent the last six months creating new audit forms and documents that will need to be completed by your staff and provided to us to meet these new rules. Our internal control and accounting process documentation documents have already been shared with your finance staff in preparation for next year’s audit.

Revenue Sharing

The future of the State’s revenue-sharing program continues to be directly tied to the condition of the State’s budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State’s budget. The State’s budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State’s upcoming fiscal year 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than \$750 million) and to enact a new 6 percent tax on certain services (raising approximately \$700 million per year). As part of the continuation budget that was also passed on October 1, there are still approximately \$400 million of “to-be-determined” cuts that remain to be agreed upon and announced for the fiscal year 2007/2008 budget. It is not completely clear whether the State’s fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a “reserve fund” which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the “revenue-sharing formula” and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changes to Michigan’s Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State’s budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State’s budget is hard to predict. Further changes to Michigan’s tax structure were made on October 1 as described above to partially close the structural budget deficit that exists.

As introduced, the governor’s budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments. Many observers have indicated that it is likely that revenue sharing for fiscal year 2007/2008 will more than likely be tied to fiscal year 2006/2007 funding levels.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State’s fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City of Birmingham has approximately \$430,000 at risk in its General Fund budget based on 2007 funding levels. In light of the current environment, we strongly encourage local government to be conservative when budgeting or projecting the revenue-sharing line item.

Personal Property Tax

Over the last seven years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in an approximate drop in property tax revenue of 10 percent. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities (resulting in approximately 30 percent revenue loss to local units of government). Also, the Michigan Supreme Court in *WPW Acquisition Co v. City of Troy* ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

The new Michigan business tax also provides more personal property tax relief to business taxpayers as detailed in the Michigan business tax section below. Even with this most recent relief provided in June 2007 through the Michigan business tax, further reductions to personal property tax remain part of the State's tax structure discussions. The governor's tax plan as introduced proposes to change the property tax system to mitigate the impact of the WPW case. A similar attempt to make this correction occurred in 2005 and 2006 with no success.

New Michigan Business Tax

As previously indicated, the new Michigan business tax (MBT) was approved by the legislature in June 2007 and replaces the single business tax (SBT) which expires December 31, 2007. According to the State, the new MBT is intended to generate about the same \$1.9 billion generated by the expiring SBT. While the MBT intended to simplify the old SBT, the MBT is a very lengthy and complicated new law. The new MBT imposes two taxes - a modified gross receipts tax and a business income tax.

More personal property tax relief is also part of the new MBT. Business personal property classified as "industrial" or "commercial" will be exempt from certain personal property taxes - specifically from the State Education Tax (SET) and local school operating mills. "Industrial" personal property will receive exemptions from the 6 SET mills and the 18 schools operating mills (for a total 24 mill exemption). "Commercial" personal property will be exempt from 12 of the 18 school operating mills.

These newly enacted personal property tax exemptions will mean that local governments will collect less school taxes on these properties. Given the favorable tax treatment of industrial versus commercial personal property, it is expected that businesses will be re-reviewing the classification of their personal property. Your assessor will likely receive more frequent inquiries and requests to change classification of personal property to take the most advantage of the tax break afforded to industrial property and commercial property and the additional relief available for industrial property.

As we understand it now, these are the areas at the local governmental level (i.e., impact on administrative fees, impact on school dollars available for capture for certain tax increment financing authorities, and property classifications) that are the most directly impacted by the new MBT. We will keep you updated as we continue to explore these and other issues regarding the impact of the MBT on local units of government.

Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent, until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred to as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop-up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the time frame of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

To the Honorable Mayor and
Members of the City Commission
City of Birmingham

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November 7, 2007

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House.

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act," which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bills' franchise fee.
- Audits of the video service providers' calculation of gross revenue are limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007 or shortly thereafter. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

Subsequent to the passage of the Act, amendments have been proposed in both the House and the Senate (House Bill 5047 and Senate Bill 636) to clarify language about the ability of local governments to receive PEG fees.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Street Fund to their Local Street Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the Major and Local Street systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. These provisions sunset on December 31, 2008. Without an extension of this provision, a transfer from the Major Street Fund to the Local Street Fund can only be done to the extent that local revenues exist in the Major Street Fund. Current legislation also includes a pilot program that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

911 Surcharge Sunset Extended Temporarily

The Emergency Service Enabling Act to support 911 operations faced the potential elimination or change in the funding formula at December 31, 2006. To allow further analysis of this issue, the sunset of the Act was extended one year to December 31, 2007 (Public Act 249 of 2006). The surcharge to fund 911 operations has been the subject of considerable discussions over the last several months with the approaching expiration at December 31, 2007. Action is required by the legislature to continue this charge beyond December 31, 2007 so discussions will continue on this subject into September and perhaps the remainder of the fall legislative session.

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City's year ended June 30, 2007, and is good for one year thereafter.

To the Honorable Mayor and
Members of the City Commission
City of Birmingham

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November 7, 2007

We would like to thank the City for the continued opportunity to serve as your auditors and for the assistance and cooperation that we received from your staff during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Joseph C. Heffernan". The signature is written in a cursive, flowing style.

Joseph C. Heffernan

A handwritten signature in black ink that reads "Christopher S. Jones". The signature is written in a cursive, flowing style.

Christopher S. Jones